

R
087040

JPRS-LAM-86-010

24 January 1986

Latin America Report

19980831 133

DTIC QUALITY INSPECTED 4

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U.S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

5
155
A08

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

24 January 1986

LATIN AMERICA REPORT

CONTENTS

INTER-AMERICAN AFFAIRS

Peru, Colombia Group To Propose Increased Trade Agreement (EL COMERCIO, 14 Dec 85).....	1
Briefs	
Regional Mining Organization Created	3

ARGENTINA

PCA Leaders Outline Methods of Struggle (NOTICIAS ARGENTINAS, 26 Dec 85).....	4
PCA Leader Athos Fava Assesses Mistakes, Proposes Accord (NOTICIAS ARGENTINAS, 28 Dec 85).....	6
PCA Denies Charges of Promoting Armed Struggle (DYN, 28 Dec 85).....	9
Athos Fava Discusses PCA Policy, Performance (Buenos Aires Argentina Televisora Color Network, 3 Jan 86).....	10

BARBADOS

Officials, Press React to Trinidad-Tobago Devaluation (Various sources, various dates).....	12
ADVOCATE's Concern	12
St John Remarks to Parliament	13
Opposition Leader's Views	14

Trade Deficit Cited; Exports to Trinidad-Tobago Crucial (CANA, 17 Dec 85).....	16
Trade Imbalance With Japan Not Easily Reversed (Jewel Brathwaite; BARBADOS ADVOCATE, 16 Dec 85).....	17
Customs Department Seeks Larger Antidrug Role (BARBADOS ADVOCATE, 9 Dec 85).....	19
Union Statement Urges Better Government Help for Workers (BARBADOS ADVOCATE, 11 Dec 85).....	20
60 Government Projects To Provide 4,000 Jobs (SUNDAY SUN, 15 Dec 85).....	21
Briefs	
Foreign Reserves	22
BELIZE	
Reportage on BDF Discontent, Demands for Wage Increase (THE REPORTER, 1 Dec 85; THE BELIZE TIMES, 24 Nov, 1 Dec 85).....	23
Defense of Police, BDF	23
BDF 'Discontent'	24
Decision on Wages	25
PUP Internal Dissension Sharpens as Convention Nears (THE BEACON, 30 Nov 85).....	26
Briefs	
Union-UDP Dispute	27
BOLIVIA	
Briefs	
Cuban Book Donation	28
YPFB Recovers Oil Field	28
New Oil Exploration Program	28
BRAZIL	
Sarney Assesses First 7 Months of Administration (O ESTADO DE SAO PAULO, 24 Oct 85).....	30
Sarney Ministerial Reform To Feature Cabinet Reshuffle (ISTOE, 27 Nov 85).....	32

Trade With Argentina To Be Conducted Without Using Dollar (O ESTADO DE SAO PAULO, 26 Nov 85).....	37
Cooperation With Argentina in Biotechnology To Be Initiated (O ESTADO DE SAO PAULO, 1 Dec 85).....	39
Austria Offers To Aid Entry of Products Into East Europe (O ESTADO DE SAO PAULO, 30 Oct 85).....	41
Program of Newly Elected Sao Paulo Mayor Quadros Outlined (Pedro Zan; O ESTADO DE SAO PAULO, 17 Nov 85).....	43
Efforts by Extreme Right To Exploit Difficulties Viewed (Carlos Chagas; O ESTADO DE SAO PAULO, 24 Oct 85).....	46
PT Assesses Party Showing in Municipal Elections (O ESTADO DE SAO PAULO, 24 Nov 85).....	49
Difficulties in Continued Maintenance of AD Discussed (O ESTADO DE SAO PAULO, 24 Nov 85).....	51
Army Minister Orders Privatization of Imbel (O ESTADO DE SAO PAULO, 22 Nov 85).....	53
IBGE: Unemployment Down in Six Major Cities Surveyed (O ESTADO DE SAO PAULO, 29 Oct 85).....	54
SEPLAN Projects 7.2 Percent 1985 Industrial Production Growth (O ESTADO DE SAO PAULO, 29 Oct 85).....	56
Briefs	
Oil Platform to Angola	58
Tanks to Saudi Arabia	58
Sonda-4 Launching	59

CHILE

Andres Saldivar Calls for Civil Disobedience (Santiago Radio Chilena, 3 Jan 86).....	60
Pinochet's Ambition Cited as Cause of Tension (Havana International Service, 6 Jan 86).....	62
Communist Party Letter to Deputy Army Commander (ANALISIS, 24-30 Dec 85).....	64
PN's Pedro Correa Assesses Rightist Opposition (Pedro Correa Interview; CAUCE, 23-30 Dec 85).....	69

Di Giorgio Sees Prospects, Challenges for 1986 (Jose Ruiz di Giorgio Interview; ANALISIS, 24-30 Dec 85).	75
Liberal Party's Ureta Discusses Antisubversive Struggle (HOY, 23-29 Dec 85).....	77
Paper Views 'Jarpa Operation' (Ascanio Cavallo; HOY, 23-29 Dec 85).....	79
Mun's Allamand Says PDC Most Important National Party (Andres Allamand Interview; COSAS, 28 Nov 85).....	83
USEC Sponsors Dialogue Between Labor, Management Groups (Ximena Barros; QUE PASA, 21 Nov 85).....	91
Bilateral Committee Studies Three Areas of Trade With Japan (EL MERCURIO, 26 Nov 85).....	95
Japanese Report on Valparaiso, San Antonio Port Development (EL MERCURIO, 27 Nov 85).....	97
New Law Provides Foreign Investment Incentives (EL MERCURIO, 1 Dec 85).....	99
Results of University Student Elections (EL MERCURIO, 1 Dec 85).....	101
52 General Officers' Names, Positions (QUE PASA, 21 Nov 85).....	104
Future Copper Production Policy Defined (EL MERCURIO, 29 Nov 85).....	108
Selected Provisions of Banking Reform Law Examined (QUE PASA, 21 Nov 85).....	110
New Regulation Allows Improvement of Debt-Capital Ratio (EL MERCURIO, 2 Dec 85).....	115
Briefs	
1986 Budget Figures	120
New Emergency Zone Chief	120
Gallup Poll Reveals Pessimistic Expectations	120

PERU

Development of Andean Food Crops Announced (EL COMERCIO, 2 Dec 85).....	121
Winter Wheat Varieties	121
High Altitude Corn	122
Incentives for Wheat Production	123

Independent Senator Criticizes APRA Economic Measures (Enrique Chirinos Soto Interview; EL NACIONAL, 25 Nov 85) ..	124
APRA Parliamentarians Seek Improved Party Discipline (Benjamin Odriozola; EQUIS X, 9 Dec 85)	132
Belaunde Makes First Criticism of Garcia Administration (Fernando Belaunde Interview; OIGA, 16 Dec 85)	134
Government Taking Calculated Risk in Supporting Sandinists (CARETAS, 2 Dec 85)	143
New Equipment Expected To Increase Gold Production (Samuel Frisancho; EL COMERCIO, 26 Nov 85)	147

INTER-AMERICAN AFFAIRS

PERU, COLOMBIA GROUP TO PROPOSE INCREASED TRADE AGREEMENT

Lima EJ. COMERCIO in Spanish 14 Dec 85 p A-15

[Text] In an effort to revive international trade between Peru and Colombia and to make it flow more easily, the Peruvian-Colombian Association for Economic Integration and Export Promotion (APECO) will soon submit to the Peruvian Government a series of projects designed for that purpose.

At a press conference held at the headquarters of the Exporters' Association, APECO President Walter Buckley Leon indicated that due to administrative factors, Peruvian-Colombian trade has deteriorated in recent years.

He said that early in the decade, bilateral trade at one time reached a ratio of 5 to 1 in favor of our country, but for a variety of reasons it is now 2 to 1, still in our favor.

Buckley noted that this drop in proportions is not necessarily due to any progress in Colombia, but rather to the lack of measures on Peru's part to encourage bilateral trade.

When asked about the causes of this decline, the president of APECO indicated that mid-level officials in the sectors related to international trade are to blame for creating bureaucratic obstacles.

The Colombian market has always been of vital importance to this country because it ranked first in the Andean subregion. Now the Colombian market is in second place, after Ecuador.

For this reason, bilateral trade pacts must be signed to encourage trade, not for the purpose of keeping the balance of trade in Peru's favor, but for obtaining products that the Colombian market needs and that can be supplied by us.

He noted that this association was formed for this purpose. Since last October, it has had ties with the National Association of Industrialists (ANDI), which is similar to the National Association of Industries (SNI). The latter organization is made up of 48 trade associations, including the banks.

We need a broad market, free of restrictions, where the idea of safeguard clauses is not confused. This type of clause was invented to limit--not close the market to--certain imports in order to protect national industry, he stated.

The pact between APECO and ANDI seeks to expand trade between Colombia and Peru so that the terms of trade will not continue to decline.

APECO's objective is to promote the establishment of a Peruvian-Colombian trade agreement that would contain the following general characteristics:

Location of monopolistic products (those produced in only one of the two countries) so that they can be marketed properly, without the participation of third parties; an agreement that would be simple in nature; and keeping the market free by not applying safeguard clauses so capriciously.

In addition, trade would be facilitated by lifting restrictions on transportation mechanisms; and Ecuador would be persuaded to "agree to be an Andean country," especially considering that it has experienced more development than any other member.

The pact between APECO and ANDI was signed last October to provide broad cooperation in the promotion of commercial ties between Colombia and Peru within the framework of Andean subregional integration.

It calls for a constant exchange of information on statistical, commercial and legislative matters, on trade opportunities, and other issues. It also commits the two nations to form trade missions and business seminars between businessmen of the two countries.

Trade between Peru and Colombia rose between 1980 and 1982, going from \$109.5 million in 1980 to \$150.8 million in 1982.

In 1983, trade fell below the previous year's level, reaching \$51.3 million, due to the decline in both traditional and non-traditional exports.

Finally, it should be mentioned that our country has always had a trade surplus with Colombia. It peaked at \$92.2 million in 1982, while the lowest level was \$22.3 million in 1983. In 1984, the surplus was \$45.7 million in favor of our country.

It should also be noted, however, that these levels are below those of 1980. This past year, exports to Colombia amounted to nearly \$82 million, and Peru's imports from the country to the north totaled \$27.6 million. In 1984, Peruvian exports amounted to \$65.6 million, and imports were \$19.9 million.

8926

CSO: 3348/308

INTER-AMERICAN AFFAIRS

BRIEFS

REGIONAL MINING ORGANIZATION CREATED--Peru has been designated the headquarters of the Latin American Mining Organization (OLAMI), which was designed to join together the countries of the region to provide mutual aid. This will enable them to attain progressively higher levels of geological-metallurgical development. OLAMI's Executive Council, whose secretary general is Peruvian Cesar Jaime Fernandez, will meet on the 26th and 27th of this month. The purpose of the meeting is to discuss the program for 1986. The organization is particularly important to Peru at this time because it strengthens the process of Latin American integration while improving the lot of each of the member states. According to OLAMI officials, the new organization will coordinate the exchange of technology, the treatment of the metals market, the development of our metallurgical industry, and anything related to progress, to the benefit of our country. OLAMI's members are: Argentina, Bolivia, Chile, Costa Rica, Colombia, Cuba, Ecuador, Guatemala, Nicaragua, Paraguay, Peru and the Dominican Republic. [Text] [Lima El COMERCIO in Spanish 24 Nov 85 p F-3] 8926

CSO: 3348/274

ARGENTINA

PCA LEADERS OUTLINE METHODS OF STRUGGLE

PY271452 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1834 GMT 26 Dec 85

[Text] Buenos Aires, 26 Dec (NA)--Outlining the political tactics of the Argentine Communist Party [PCA], Fernando Nadra, PCA political relations secretary, today explained today that "we have chosen the peaceful course, that which is within democracy." He added that "the Communists would rather walk paths that exclude civil war" to gain access to power.

Nadra said that "the methods are not as important for the revolutionary as they are for the reactionaries." He noted that "it is absolutely false that we defend armed struggle," although, he added, if a thief comes and points a gun at our head, we have to defend ourselves."

In addition, PCA official spokesman Jorge Bernstein stated that "we would like all sectors seeking liberation to do so without resorting to violence," but explained that "as had happened several times, if imperialism resorts to coups, repression, and murder, the people must be ready to fight with all means at hand."

After reviewing the document issued by the PCA in which "the Communists reaffirm their preference for means that exclude civil war" and "reiterate the political and moral obligations to defend democracy with all means," Bernstein stated: "We must employ all methods to advance toward the conquest of power for the working class." He did not discard the possibility that armed struggle may be necessary" should "the reactionary forces use methods historically employed in the country."

In remarks to Radio Mitra, Bernstein stated that "similar situations are dangerous," but explained that "in essence what we are saying is absolutely just," although "it cannot be interpreted partially because it is part of an extensive document approved during the latest meeting" held this past weekend with the objective of calling for a PAC congress within 6 months.

He said that "all these topics were discussed following methods governing criticism and self-criticism." He added that this "is related to the errors we have committed" and "starting from the point that at this moment no party can say that it has not made mistakes."

Berstein stated that "we have to take into account and assess the Latin American experience, and particularly the Argentine experience, over the past half century." He said that our preference is always for paths that exclude civil war."

The PCA leader noted, however, quoting from the party document, that "the political and moral obligation exists to defend democracy by all means and to destroy through the mobilization of the people all obstacles that the oligarchy and imperialism intend to interpose."

He added: "We must be prepared to defend the democracy achieved and to make it develop until political power is won for the working class and the people through a revolution." He added: "We hope that this will be done without the need of a civil war or of any other form of violent struggle."

He explained that "in any case we must be prepared just in case imperialism and the reactionary forces try to interpose some obstacles and we are forced to use all forms of struggle." He stated that "this is absolutely legitimate because the history of mankind has demonstrated that backwardness is overcome with revolution."

Berstein elaborated that "when the peoples have no other option against the violence of the state or parastate apparatus, it is legal to use the method of popular struggle or the struggle of the masses, employing all feasible methods."

"We, he explained, want all sectors that seek national liberation and an effective and real democracy to do so without resorting to violence." But, "as has already happened several times, if imperialism resorts to coups, to indiscriminate repression, to murder, and to violence, the people must be prepared to fight with all means at hand."

"Whether to use armed struggle or not is something we are going to decide in due time," he stated, "but if the reactionary forces use the methods employed historically in the country, we will have to be politically prepared to decide which method will be most appropriate to overcome those obstacles."

Berstein concluded by saying that "the document released includes no criticism of individuals," because "if we have made mistakes, we have made them all together," and for this reason "there should be no dismissals or resignations."

/12624

CSO: 3348/341

ARGENTINA

PCA LEADER ATHOS FAVA ASSESSES MISTAKES, PROPOSES ACCORD

PY311815 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1916 GMT 28 Dec 85

[Text] Buenos Aires, 28 Dec (NA)--Communist Party of Argentina [PCA] Secretary General Athos Fava today admitted that the PCA indulged in a "number of weaknesses" during the past military regime by not "realistically assessing the dictatorship. We should have singled out the noxious effects of the program outlined by former Economy Minister Jose Martinez de Hoz and the people charged with implementing it by bloodily repressing the people."

"We made mistakes and indulged in weaknesses, and it is only fair to admit it openly and," Fava stated, explaining the self-criticism on party's performance over the past period leveled by the PCA Central Committee during its recent meeting.

In comments to NOTICIAS ARGENTINAS, the Communist leader stated that among those mistakes was our defense of human rights, which "we have always championed. We had very strained relations with other sectors that were also engaged in defending human rights."

Concerning this issue, Fava made it clear that during the military regime the PCA policy "was actually changing." He stressed that "at this time when the period of deliberations" of the 16th PCA congress "is being opened it is correct to admit our mistakes so that they are not made again."

Fava said that the self-criticism of the Argentine Communists include not "thoroughly assessing" the radicalization the masses of youths by the Cuban revolution, which led us into confrontations with ultraleftist sectors--even occasionally in a very hard way."

He stated that the self-criticism does not include "ideological issues and methods used which we still condemn. Indeed, we include the relationship with the masses who joined the ERP [People's Revolutionary Army] or the Moneros, which also have made self-criticisms."

On the other hand, the PCA secretary general warned of a deterioration in the Argentine economic situation and the difficulties the country will have to make exports in the face of the proposal made by the Ronald Reagan administration "to allocate \$50 billion over the next 3 years to increase U.S. competitiveness on the world market, especially in the grain field."

"I am asking myself what will happen to Argentina, which will have a reduced harvest next year because of the floods and which in 1985 experienced a substantial drop in the prices paid on the international market, meaning losses ranging between \$1.2 and \$1.3 billion," Fava added.

He said that the Argentine Government's policy "has not way out unless the government wants a dependent nation, an Argentina that is to benefit a group of foreign monopolies and the financial and large landowning oligarchy."

Fava criticized the government of Raul Alfonsin for not adopting concrete measures to reactivate the productive apparatus, and for keeping salaries down and for allowing high prices through the implementation of the Austral Plan.

"The government wants to constrain the domestic market with the idea of exporting more, but every time we export less," Fava stated.

He said that for this reason the UCR [Radical Civic Union] government will be subjected to "unswerving pressures by the most reactionary groups both in the country and abroad and by the large domestic economic groups that have been created in the past few years, groups that will seek to grab more and more concessions."

"At what point will Alfonsin give in? That we will see as time goes by. But they will push him in that direction until he gives in completely. For this reason, the destabilization policy will continue and military options may emerge," Fava added.

After stating that "there is no third alternative between liberation and dependency," Fava emphasized that the PCA is willing to contribute by all means to "the defense, strengthening, and development of democracy, even under the current framework, so that military coups are not repeated."

In this regard, Fava stressed the need of "a democratic accord among all sectors interested in defending the institutions established under the national Constitution," adding that such a defense "must take place using all possible means, even armed means, as established by the Constitution and the law on the defense of democracy recently enacted," since "it is the only way to prevent popular bloodshed, like occurred from 1976 onwards, from repeating itself again."

Fava said that the position of the Communists with regard to democracy is much more profound because "it seeks to achieve the goal of national and social liberation. However, we want to progress toward that goal of national and social liberation. However, we want to progress toward that goal with the masses, with the vast majority of the people, basically with the working class, forming a front with all the democratic, patriotic, anti-oligarchic, and anti-imperialist forces."

"But now we believe a democratic accord is necessary with all sectors interested in defending the Constitution, and not only with those sectors that propose democracy for national and social liberation as we do," Fava said.

Fava advocated a government-businessmen-workers agreement [concertacion] different from the one being proposed by the government, which "is based in keeping salaries depressed -- salary depression in 1985 reached 39 percent -- thus causing a shrinkage in the productive apparatus and unemployment with the goal of paying the foreign debt."

"We support a government-businessmen-workers agreement based on a moratorium on the foreign debt, on the development of the domestic market, which requires a reactivation of the productive sectors, and on a fairer distribution of wealth. Given this type of government-businessmen-workers agreement, the workers will make an effort because it will be for the benefit of everyone," Fava stated.

/12624
3348/341

ARGENTINA

PCA DENIES CHARGES OF PROMOTING ARMED STRUGGLE

PY311312 Buenos Aires DYN in Spanish 1650 GMT 28 Dec 85

[Text] Buenos Aires, 28 Dec (DYN)--The Communist Party Central Committee has categorically denied that the party promotes armed struggle, asserting that "we uphold democracy together with social justice and liberation, and oppose the Austral Plan and the concessions granted to the IMF."

In a statement issued to refute an article published by the newspaper AMBITO FINANCIERO, the Communist Party states that "we communists, who have always been victims and not executioners, do not need to prove our democratic faith."

It then adds that "the people know that we were established 68 years ago, defending democracy. We have struggled, at the cost of a large number of martyrs, against all the dictatorships established in our republic," and "the blood is still fresh that was shed by our people during the cruel repression of the last military dictatorship, among whose victims and martyrs are thousands of imprisoned, tortured, missing, and murdered communist patriots."

The declaration goes on to state that "because we recall the painful wounds left by the dictatorship, the need to defend the constitutional order has stemmed from deep within the people, and the slogan 'never again,' which we were the first to unfurl on our posters 3 years ago, has become popular."

The declaration then says that "that is the commitment of the communist Party, aimed at closing the cycle of coups, and it implies firmly defending democracy. This is why we uphold democracy together with socialist justice and liberation. We oppose the Austral Plan and the concessions granted to the IHF, which only destabilize and restrict democracy and end up by destroying it, as the history of all coups has proven."

The Communist Party states that "it is precisely those nefarious interests which AMBITO FINANCIERO defends that want us to forget the past."

/12624
3348/341

24 January 1986

ARGENTINA

ATHOS FAVA DISCUSSES PCA POLICY, PERFORMANCE

PY031400 Buenos Aires Argentina Televisora Color Network in Spanish 0000 GMT
3 Jan 86

[Text] In a document intended to evaluate the party's recent performance, the Argentine Communist Party [PCA] outlined its future policy. In this document, a new definition of what the ocommunists understand by revolution has emerged. Athos Fava, PCA secretary general, stated:

[Begin recording] We believe that, according to an analysis we have made of the economic and social sectors, the revolution in Argentina must be patriotic, popular, and anti-imperialist, that it be free of the imperialist monopolies in Argentina. It must be agrarian, and end the oligarchy of the large landowners in our country. It must also be anti-monopolistic, that is, it must break the monopoly of the groups that became so rich during the military dictatorship, during the period of Martinez de Hoz. It must be basically a popular revolution, that is, popular, anti-imperialist, and anti-oligarchic. [end recording]

A paragraph of the document states that no means must be spared to complete the revolution. Different sectors have insinuated that the PCA will promote the armed struggle. For this reason, we asked Fava about the truthfulness of this accusation.

[Begin Fava recording] We are deeply concerned about the current process, about how the democratic process is being consolidated. In fact, during the trial of the former junta commanders, several military sources threatened to destabilize the country. Moreover, paramilitary and parapolice groups remain intact in the country. This means that we need greater unity of all the Argentine people to strengthen the constitutional system and the republican institutions. This does not mean that we defend the government of Alfonsin, with which we have great disagreements regarding the Austral Plan, which has caused a drastic drop in salaries and increased unemployment.

President Alfonsin himself stated a few days ago that to solve the country's economic problems it would be necessary to stop paying the foreign debt, but he also said we must continue paying our debt. All this leads to greater destabilization, and the coupist groups will be encouraged by this. After 55 years of coups and counter-coups, these coupist groups will lead us to a new coup.

Therefore, our party proposes that the government use all possible means, all means of struggle provided for by the Constitution itself. Articles 29 or 23 of the Constitution, for example, propose means of struggle to defend the constitutional system. We are firm defenders of the republican institutions.

/12624
3348/341

BARBADOS

OFFICIALS, PRESS REACT TO TRINIDAD-TOBAGO DEVALUATION

ADVOCATE's Concern

Port-of-Spain TRINIDAD GUARDIAN in English 20 Dec 85 p 5

[Text]

BRIDGETOWN, Thurs., (Cana): "BARBADOS ADVOCATE" newspaper described Trinidad and Tobago's 33 per cent currency devaluation today as drastic, and said it could well trigger more trading problems between Port of Spain and its Caribbean Community (Caricom) partners.

The daily, in its editorial, was reacting to Tuesday's Government announcement in Port of Spain that the Trinidad and Tobago dollar would now be worth 27.77 cents US, down from its previous level of 41.66 cents US — a move Prime Minister George Chambers said was aimed at improving the country's competitiveness in industry and tourism. The old rate is being retained for essential imports.

Said the "Advocate": Devaluation of a nation's currency is a drastic step taken in an attempt to stimulate the economy as a crisis measure.

Trinidad and Tobago is expecting its tourism to be stimulated, because the visitor who has United States currency to spend would be able to get more for his money than before devaluation.

Entrepreneurs would also benefit, because the size of their outlay would be smaller in relation to the Trinidad and Tobago dollar cost.

Trinidad and Tobago, over the years, has not paid as much attention to developing its tourism industry as has a number of its neighbours.

DELIBERATE MOVE

It must also be noted that during the years of the oil boom in Trinidad, the Government deliberately kept the value of the TT dollar down, as a move to encourage a greater demand for Trinidad and Tobago exports.

The same argument cannot now be advanced which has come in entirely different circumstances. So we will find that while the aims are similar to those voiced some years ago, when the TT dollar was deliberately held below its true value with the oil boom, this new devaluation will have more far-reaching implications.

The new Trinidad and Tobago devaluation will have serious implications for the Caribbean Community and Common Market.

Barbados has had difficulties with trading arrangements between Guyana, Jamaica and Trinidad and Tobago, the largest potential markets of the regional grouping.

Guyana is in default to Barbados, through the Caricom Multi-Lateral Clearing Facility (CMCF), and Jamaica and Trinidad and Tobago have created difficulties with licensing and implementing of the Nassu Accord, which provides an agreed 15 per cent surcharge on specific imports from extra-regional sources.

The Government of Trinidad and Tobago has now stated its intention of bringing the Nassau Accord into effect from January 1, 1986.

Trinidad and Tobago is following in the footsteps of Jamaica, which devalued its currency

following involvement with the International Monetary Fund (IMF), in an effort to pull out of a grievous slump in the economy.

Jamaica has a system of auctions twice weekly for available foreign exchange. The Jamaica dollar is currently trading (here) at \$5.48 to \$1 US.

Guyana had a weekly exchange rate, which varies in consonance with market forces. The Guyana dollar is currently trading at \$4.25 for \$1 US.

The experience of Jamaica is that the devaluation, which was supposed to offer the same solutions sought by Trinidad and Tobago, has not worked to any considerable

extent, and the plight of the Jamaican economy is still precarious.

The result of these devaluations has also been that although the drop might have been around 33.3 per cent, the cost of living can rise by some 50 per cent. This means that the realities of the situation are even tougher than the devaluation at first indicates.

How serious the situation is can be judged by the fact that each of these countries, which has found it necessary to devalue its currency, is larger than Barbados, and has far more bountiful natural resources.

Barbados has been a favourite shopping spot for some of those fortunate enough to have the money to spend, and the ingenuity to circumvent the Customs net in their countries.

The Trinidad devaluation will now mean that travel to and shopping in Barbados will be more expensive for Trinidadians.

The pound Sterling, which was the paramount currency worldwide for generations, suffered devaluation and it, along with the British economy, has been sliding ever since.

Can Barbados learn from and avoid the pitfalls into which our neighbouring economies have slumped? Only time will tell.

St John Remarks to Parliament

FL231730 Bridgetown CANA in English 2320 GMT 21 Dec 85

[Text] Bridgetown, Dec 21--Barbados Prime Minister Bernard St John has told Parliament here there is no need to panic because of this week's 33.3 per-cent devaluation of the Trinidad and Tobago dollar and has called on Port-of-Spain to dismantle its barriers to free trade with Caribbean Common Market partners.

It was his first official reaction to Tuesday's budget announcement by Trinidad and Tobago's Prime Minister George Chambers that one TT dollar was now worth 27.77 cents U.S. compared with 41.66 cents U.S. before. The old rate was retained for imports designated by the government as essentials.

Chambers said the move was aimed at improving Port-of-Spain's competitiveness.

St John said that along with this measure must come a removal of Port-of-Spain's import restrictions which have hampered Caricom free trade, Trinidad being the most lucrative market in the grouping.

They (Trinidad and Tobago) can't have their cake and eat it too. A common market cannot survive in which members enter into international agreements, do not put them into effect, and at the same time take steps to protect their trading position within the community, the prime minister told the House of Assembly.

This was an apparent reference to Trinidad's failure to implement the so-called Nassau Accord, more than a year after it was signed by Caricom heads of government, including Chambers, in July 1984 in the Bahamas.

The agreement called on member states to remove obstacles to free trade and to implement a series of other legislative measures to protect regional products from third-country competition and stimulate trading among common market states.

Trinidad and Tobago has promised to implement the Nassau package by January.

St John said it was ironic that the smallest countries in the Caribbean--the OECS (Organisation of Eastern Caribbean States) and Barbados--were the ones which had the freest trade within Caricom.

On the devaluation itself and opposition urgings that Barbados not follow Port-of-Spain, St John, who is also minister of finance, said nothing had happened to convince his government that devaluation would help substantially.

Barbados' best strategy, he said, was to continuously watch its competitive position, continue to market abroad, continue to improve its productive capacity and understand that the world does not owe us a living.

He said he did not hold out much hope for Trinidad and Tobago's two-tier exchange system, since he knew of no country where such an arrangement lasted longer than six to eight months.

Opposition Leader's Views

Port-of-Spain EXPRESS in English 21 Dec 85 p 43

[Text] Bridgetown, Barbados, Friday, (CANA)--Opposition Leader Errol Barrow said today it would be ill advised for Prime Minister Bernard St John to devalue the Barbados dollar following a similar move this week by Trinidad and Tobago.

"I don't see that a devaluation of the Barbados dollar is going to help at all," he told the Caribbean News Agency (CANA). "The Democratic Labour Party is strongly opposed to the devaluation of the Barbados dollar."

The 33.3 percent devaluation announced by Prime Minister George Chambers in his 1986 Budget Tuesday, saw the exchange rate for the TT dollar move from U.S.41.66 cents to U.S.27.77 cents. Chambers said the move was to improve Trinidad's competitiveness.

Barrow, Prime Minister and Finance Minister during the 1961-1976 rule of the DLP, said the devaluation would not help local exports to Trinidad, already restricted by a licensing regime.

"I personally do not agree with the Trinidad devaluation. I have been saying for a long time, over four years ago, that the Trinidad dollar ought to be revalued...upwards probably to slightly more than the Barbados dollar because that of course would have helped our exports," he said.

"From the Trinidad point of view, I think a revaluation is better for the domestic scene than a devaluation because all the goods going into Trinidad and Tobago now are going to be a lot more expensive," he added.

Barrow said the DLP was opposed to devaluation of the Barbados dollar because it would increase the cost of living.

"If we devalue our currency, imports are going to cost a lot more and the only patent benefit which may derive from a devaluation is an increased amount of Barbados dollars for the declining sugar industry," he said.

The Barbados dollar was fixed at its present parity of two to one U.S. in 1972 by the DLP government.

/7358

CSO: 3298/28

BARBADOS

TRADE DEFICIT CITED; EXPORTS TO TRINIDAD-TOBAGO CRUCIAL

FL172158 Bridgetown CANA in English 2008 GMT 17 Dec 85

[Text] Bridgetown, Dec 17--Barbados exports to Trinidad and Tobago dropped by more than half in the first seven months of this year, according to government statistics.

Trinidad and Tobago, although remaining Barbados' main Caricom trading partner, bought 17 million dollars worth of local goods, well down on the 40.2 million dollars for January-July last year. Imports from Trinidad were down 4.3 percent to 68 million dollars.

The decline in local exports was due to a policy of import restrictions by Trinidad and Tobago.

Overall, Barbados recorded a visible trade deficit of eight million dollars (one BDS dollar; 50 cents U.S.) with its Caricom partners up to July.

Imports were valued to 104 million dollars, a 9.4 percent increase on the corresponding seven-month period in 1984.

Exports, including domestic exports, amounted to 96 million dollars. Domestic exports were valued at 39 million dollars, a 32.8 percent decline on last year.

Exports to Jamaica, the second major Caricom trade partner, were up 1.2 percent to five million dollars. Imports from Kingston totalled 26.4 million dollars, double the 13.4 million dollars last year.

In overall trading during the seven-month period under review, a [word indistinct] deficit of 275 million dollars was recorded. Imports totalled 691 million dollars and exports 416 million, of which domestic exports accounted for 281 million.

Puerto Rico was Barbados' main market for domestic exports, absorbing 123 million dollars, three times the amount taken in by Caricom. The United States was next with 82 million dollars.

The United States was the main source of imports, supplying 288 million dollars.

/7358

CSO: 3298/28

BARBADOS

TRADE IMBALANCE WITH JAPAN NOT EASILY REVERSED

Bridgetown BARBADOS ADVOCATE in English 16 Dec 85 p 2

[Article by Jewel Brathwaite]

[Text]

Barbados seems to be making some progress in getting more of its goods sold on the Japanese market, but this country still has an extremely long way to go before it can make a serious dent on its trade imbalance with Japan.

During the past two years, and especially this year, the level of Barbadian exports to Japan has increased, and the onus is now on this country to push for an expansion of local exports to Japan.

Last year, total Barbados domestic exports to Japan amounted to \$151 000 which, although small, was the highest ever. So far, January to September this year, that level has been surpassed, reaching \$465 441.

There is definitely a need for Barbados to improve the level of trade exports to Japan, especially in view of the large trade imbalance, little or no investment from that country, and the need for markets for Barbadian products.

Japan's impressive post-war economic performance has continued unabated, turning that country's economy into one of the most stable among the industrialised states.

Its technology has challenged that of the United States, and its trade surplus has at times alarmed the other members of the Organisation for Economic Co-operation and Developed Countries (OECD).

The feeling in most quarters is that the Japanese market is characterised by indirect trade restrictions against imported goods, while Japanese products flow freely into the markets of other states.

This has prompted demands from among the OECD states for Japan to liberalise its market for goods from other countries.

These are demands which would be fully supported in Barbados whose trade with Japan is heavily stacked in the latter's favour.

So far this year, (January to September), Barbados has imported \$40.1 million worth in goods from that country, as against the \$465 441 of exports referred to earlier.

What makes the situation most interesting is that in the second quarter, (April to June) 1985, no goods from this country were sold to Japan.

The following trade figures highlight the nature of trade between the two states. Last year Japanese exports to Barbados amounted to \$50.3 million, and the previous year \$52.7 million. Exports from Barbados for the two years were \$151 000 and \$2 000 respectively.

The major components of Japanese exports to Barbados are motor cars which, since the late 1970s, account for about 85 per cent of the cars on the roads of Barbados.

Barbados has been spending on average about \$20.0 million annually on the importation of Japanese

vehicles, which has outstripped similar purchases from other major manufacturers in Europe and the United States.

For instance, Britain, which formerly dominated the local market, has been displaced, and for the four-year (1981-1984) period, only \$2.3 million worth of cars came in from that country. This works out at a yearly average of about \$580 000.

The remaining Japanese imports to Barbados include other vehicles (lorries, vans, jeeps) toys, tools, spares, clothing, and a wide range of electronic equipment.

Barbados' main export to Japan is the Sea Island Cotton which was revived two years ago as part of the diversification efforts in the country. More recently, an opening has been found for cherries.

Both countries appear to be fully aware of the one-sided nature of the trade.

In February this year, a Barbados Government delegation headed by the then Prime Minister, Tom Adams, made a trip to Japan. On his return home, Adams said that the trade imbalance was a major talking point.

He also reported that this country had secured a loan of US\$19 million and that he had suggested to the Japanese that they take out leases on some Government-owned estates to grow cotton.

Mr. Shigeo Suzuki, Honorary Consul to Barbados, said during a visit to the island last July, that the

expansion of many industries from Japan to Barbados was becoming brisk.

However, according to him: "At the present stage, trade balance favours Japan. It is necessary to develop the merchandise to be exported to Japan from Barbados....in consideration of future proper trade balance."

It would seem that an opportunity is being offered but whether this country can take up the challenge is another matter.

The major problems facing this country are to find markets for the local manufacturers, and to seek out joint venture arrangements, so as to increase the job levels in the country.

The quest for markets in particular, has become very important, for it is now accepted that Trinidad and Tobago will no longer be the saviour it used to be for Barbadian manufacturers.

But it would not be easy to penetrate the Japanese market bearing in mind the distance, transport cost, competition from other exporters to Japan, and the view that manufacturers here seem to lack the capacity to break into the extra-regional markets.

Yet it has been recognised that manufacturers would have to acquire the skills of marketing, or pay someone to do the job, if they are to market goods in extra-regional markets, and save their enterprises from collapsing.

/7358

CSO: 3298/238

BARBADOS

CUSTOMS DEPARTMENT SEEKS LARGER ANTIDRUG ROLE

Bridgetown BARBADOS ADVOCATE in English 9 Dec 85 p 1

[Text]

The Customs Department in Barbados wants a bigger role in combating the fight against the importation of drugs so as to bring the real perpetrators of drug trafficking to justice.

Mr. Frank Holder, a senior customs official, told a panel discussion yesterday that his department's role was restricted to that of interception, and he appealed to prosecutors to use the relevant sections of the Customs Act, now said to be dormant since their inception in 1962.

"I believe that if a greater effort is made to apply the relevant sections when persons are involved before or after importation, then the true perpetrators in the drug trade would no longer be untouchable," said Mr. Holder at the discussions which formed part of the two-day workshop on drug abuse at the Samuel Jackman Prescod Polytechnic.

He said that on several occasions, evidence had been found linking several persons who were knowingly concerned with or who were otherwise involved in the importation of drugs.

But, according to him, these persons had not faced any charges and on several occasions, although it was evident who the importer was, no one had been charged. "The question of possession has remained the bugbear because all charges have been from possession under the Narcotics Act," he said.

According to Mr. Holder: "The Customs' role in the future must not rest solely with interception. Training officers in interception must continue but the horizon must be broadened. Training in collecting evidence and the application of Customs law, must be given consideration."

The workshop sponsored by the Barbados 4-II Foundation attracted participants from Barbados and other Caribbean countries. It was titled "Better Health for Youth" and it looked at all aspects of drug abuse especially as they relate to young people.

Mr. Holder in complimenting the work of customs officers over the past six years said, however, that the methods used to bring drugs into the country were so varied that officers were unable to relax in their efforts to combat the importation of drugs.

He said the Post Office had been used for the importation of marijuana in ordinary packages containing nothing but the drug. In other instances it was concealed among books, ordinary airmail envelopes, and as literature for reputable learning institutions.

According to Mr. Holder, large crates and drums have been used, and some of them had landed in the island and then simply disappeared from the area of the Bridgetown Port.

"Others have been consigned to reputable business houses without their knowledge," Mr. Holder said, adding that fictitious names and addresses had been used on these packages in attempts to smuggle marijuana among consignments of fruits.

He said that the airport was the most popular port of entry for drugs. According to him, marijuana was imported through this port in ornaments, false bottoms, paint cans, shoe soles and cans labelled as fruit juices.

Attempts have also been made to smuggle marijuana in drums of oil, furniture, bongo drums, and electrical and musical instruments, he added.

On conclusion of the workshop, the participants were presented with certificates.

BARBADOS

UNION STATEMENT URGES BETTER GOVERNMENT HELP FOR WORKERS

Bridgetown BARBADOS ADVOCATE in English 11 Dec 85 p 2

[Text]

The National Union of Public Workers has said that the Ministry of Labour could do more to remedy the unnecessary and untenable predicament of workers who were being discouraged from joining a trade union by few short-sighted and unscrupulous employers.

The NUPW said that it was aware of the provisions of Section 40A of the Trade Union Act CAP 361 but insisted that it was clear for all to see, as the Minister of Labour himself admitted, that despite the legislation, workers were being pressured not join trade unions.

"What the NUPW is contending is that more can be done by the minister and the Government to discourage the few recalcitrant employers who are perpetrating such disgusting practices against their employees.

"For example, through the operation of Government contracts to such employers, it could be made a condition that an employer or his sub-contractor, where appropriate, should respect their workers' freedom to organise. The law can refuse to enforce any contracts or other measures intended or calculated to abridge this freedom.

"Another example is the National Labour Relations Act of the United States which threatens those who seek to use their economic power to curtail the exercise of the freedom to organise. In the latter instance the effectiveness of the measure depends on the union and not the workers. Sweden and Germany have protective measures as well," said the NUPW statement.

"Clearly, the existing legislation in Barbados has been repudiated, that is, it has been rejected and has been allowed to fall into disuse by the

workers who experience the pressures the minister referred to. Instead of confession that his hands are tied he should introduce measures which the affected workers and—or their trade unions would be willing to use to remedy their situation," continued the statement.

"In addition, the NUPW wishes to point out that the right of a trade union to represent its members is just as crucial as they having the freedom to form and join trade unions, a point to which the minister failed to respond. Because of this important linkage, the NUPW went on to express incredulity at the ability of the Barbados National Bank to continue to flout the declared policy of the Barbados Government and, by so doing, continue to embarrass the Minister of Labour by refusing to grant recognition to the union which claims to represent over 50 per cent of the Bank's staff.

"When trade unions in a society which is not totalitarian are debarred from representing workers, it is a threat to the workers' fundamental right, to their civil liberty, and hence to democracy."

The statement further stated: "The NUPW wishes to confess that little imagination in bringing a remedy to bear on this situation, and many other areas in need of corrective action, can be expected from a minister who publicly, before a regional and international gathering, confesses that his hands are tied when it comes to dealing with such an uncomplicated matter as the right or freedom to join a trade union of one's choice and the right of that union to represent its members."

BARBADOS

60 GOVERNMENT PROJECTS TO PROVIDE 4,000 JOBS

Bridgetown SUNDAY SUN in English 15 Dec 85 p 6

[Text] BETWEEN 3000 AND 4000 direct jobs are expected to be created out of more than 60 projects approved by the Planning and Priorities Committee of Cabinet.

According to Prime Minister Bernard St. John, who is also chairman of the committee, 30 of the projects are on-going and the others have been approved for future implementation.

The six-member committee, established in 1978, is a standing committee of Cabinet and possesses executive authority. Its main function is as the central coordinating body for the development of long and medium range plans by ministries and other Government agencies.

At the end of its 48th meeting on Friday, — the final for the year — the Prime Minister said decisions were taken to ensure that

the projects fall into the sequence anticipated in the current Development Plan.

"One new project was introduced of great significance," the Prime Minister said, "this is, we received a report from the Ministry of Transport and Works in respect of the proposals for a comprehensive engineering study of five areas in Barbados which we know now are prone to flooding."

He said two of these areas — Speightstown and Wotton-Lodge Road-Kingsland — have been awarded to consulting engineers in the private sector. The other three areas — Bayville — Constitution River, Goodland-Enterprise and Marine Gardens — Pleasant Hall and Dayrells Road, have been assigned to engineers from the Ministry of Transport and Works.

Mr. St. John said it was hoped that these engineering studies would proceed very early in the new year.

"The terms of the mandate are for a study to be done of a relatively wide catchment area of the existing conditions with a view to receiving specific proposals for remedial work to prevent flooding," he said.

The Prime Minister said the committee also received the model of Contract "C" in the Bridgetown Fisheries Plant as well as the indications of the final design of the Speightstown Fisheries Development Plan.

He added that a few substantial projects were in the process of being completed.

These include the First World Bank Education Project at a cost of \$43 million and the new Central Bank building. Phase 1 of the

new Fairchild Street Bus Stand was completed earlier this year and Phase 2 has been moving smoothly.

Other major projects underway are the Bridgetown Fishing Harbour, which is estimated to cost \$24 million and the World Bank Road Maintenance and Rehabilitation project at a cost of approximately \$40 million.

Mr. St. John said major projects which will start early in the new year are the Airport to West Coast Highway, the Northern Access Road, the Speightstown Fisheries, the Queen Elizabeth Hospital Improvement and Expansion, the Caribbean Broadcasting re-development, the Second World Bank Education project and the Resurfacing of the runway at the Grantley Adams International Airport.

/7358

CSO: 3298/29

BARBADOS

BRIEFS

FOREIGN RESERVES--Barbados' foreign reserves stood at \$342.0 million up to the end of September, according to the latest Central Bank bulletin. The Bank's Economic and Financial Statistics showed that the \$342.0 million was some \$18.8 million higher than for the corresponding period a year ago. The current level of reserves is the highest to date, reflecting some major capital inflows. The previous highest for the year was the \$316.2 million at the end of May this year. Meanwhile, the country's National Debt continued its steady increase reaching \$1.074 billion also at the end of September this year.
[Text] [Bridgetown BARBADOS ADVOCATE in English 16 Dec 85 p 1] /7358

CSO: 3298/240

BELIZE

REPORTAGE ON BDF DISCONTENT, DEMANDS FOR WAGE INCREASE

Defense of Police, BDF

Belize City THE REPORTER in English 1 Dec 85 p 8

[Unsigned article: "P.M. Champions Cause of Police and B.D.F."]

[Text] At his regular news conference last Wednesday the Prime Minister rose to the defence of the Belize Defence Force and the Police in reply to attacks being made against the leadership of both.

Attacks which have been appearing in the press have not been coming from Price Barracks but from outside, the Prime Minister said, and he suspected that a lot of it had to do with resentment of the fact that the Commandant of the BDF is not Belizean.

The Commanding Officer of the BDF, the P.M. pointed out, is in charge of an army, not the Girl Guides. As Commander it was his duty to impose discipline. Local officers of the BDF, he said, had indicated that the Commandant had their full respect.

Mr. Esquivel said his government stood for the Belizeanization of the BDF "We have had reviews on all aspects... aimed at moving up the time-table for Belizeanization of the BDF." He was satisfied, he said, that the questions and concerns of the Belizean

soldiers were being addressed and that they are aware of it.

Commenting on a front page story last week in one of the local newspapers, the P.M. said the attack on the officers and men of the Police Force was unfair, and did not accomplish anything in the interests of the truth.

"We all know that there are a few policemen corrupted by the drug industry," he said, "so we cannot say there are no corrupt policemen....But I cannot imagine that to say there is only one honest policeman is any kind of service to the public good."

The Prime Minister was also asked about whether he took seriously the published urging that the North should secede from Belize and become part of Mexico. In reply the Mr. Edquivel said he felt that 99.9 per-cent of Belizeans were proud to be Belizeans. "Only a fringe group believe that the grass is greener on the other side...but not many have lived in Mexico to see what life is like for the campesino," the Prime Minister said.

BDF 'Discontent'

Belize City THE BELIZE TIMES in English 24 Nov 85 p 11

[Article with indication "Contributed": "Esquivel Disregards BDF Discontent"]

[Text] BDF soldiers unhappy at no raise-up, salaries, lose \$3.75 a day out of allowances when on long exercises. BDF local officers do not have the respect of the men or of the expatriates who push them around. At a recent meeting at the Sergeant Mess, the BDF Commandant was attacked for destroying morale, the Commandant has been forced out of Price Barracks and now lives in Belize City. It is alleged that he received serious threats and moves about in fear. His house was broken into several times and messages deposited.

The BDF blames the UDP government for allowing total freedom to expatriates to do as they please. The volunteer element, especially, is angry over lack of training, equipment and attention. The BDF is also sore over the alleged attack by the Commandant Lt. Col. Starmer Smith on a soldier in

May of this year, and lack of action to resolve the issue. The soldier in question is said to have been victimized by the Commandant, by not being sent on a promised course abroad, thrown into jail and harassed constantly. Many soldiers, corporals, sergeants and others have been ill-treated but can say nothing because of fear of being victimized or worse. The BDF which is involved in the entire country, sees the new government as a sell-out crowd who talk a lot and do nothing else. "We have asked the government to change the Commandant who treats us radically," said one soldier, "but this raise-up government is dumb, deaf and blind."

"We are fed up and vex," said another soldier, "don't know how much longer we can take this." We want Starmer-Smith out, we want a raise, we want less expatriates here."

Decision on Wages

Belize City THE BELIZE TIMES in English 1 Dec 85 p 12

[Unsigned article: "Esquivel Says No Raise"]

[Text]

Prime Minister and Minister of Finance Manuel Esquivel denied that his government had promised to raise the salary of government workers.

At his press conference on Wednesday 27th November at Radio Belize, Esquivel made it clear that he made no such promise and that there would be no raise-up for Civil Servants and other government employees.

Esquivel is obviously satisfied that he has full control over the Civil Service Union following the political promotions of the President and Vice Pre-

sident to high government jobs.

As Christmas approaches and the hard times hit the lower classes of workers the Prime Minister and his government appear totally unconcerned over the plight of the victims of his economic policies. Apparently the "raise-up for a brighter tomorrow" promises were only meant for the Ministers and their close friends. While these persons are indeed raising up with vehicles, travels and big houses, the rest of the country suffers.

/12851

CSO: 3298/244

BELIZE

PUP INTERNAL DISSENSION SHARPENS AS CONVENTION NEARS

Belize City THE BEACON in English 30 Nov 85 p 3

[From the unsigned column, "GONE ABROAD"]

[Excerpt]

It's licks in '86. The PUPs have finally fixed their convention for Sunday January 12th, and the theme song is going to be Clarence Carter's "Let Me Tell You 'Bout A Few Troubles I've Had."

... ..

The internal warfare is fiercer than ever, with the former friendship of Assad and Said being the main casualty so far. These two are feuding bitterly, and the fallout has involved brothers Billy and Yasin. The Musa-controlled Beto Mahler has now been brought into Brodies, where he is to spy on and eventually replace Yasin.

... ..

Assad has been increasingly critical of George

Cadle Price, whom he sees as irrelevant and incompetent. George for his part still blames Assad for contributing to the PUP defeat, and thinks Shoman to be a dangerous liability. Because of the keyhole factor, and also because he believes Assad will eventually be expelled from the party, Said is riding with George.

... ..

Meantime Florencio Marin has moved to the city and wants to be deputy leader. Since George has that reserved for either Harry or Lindy, Marin will have to settle for party chairman which means Said will lose yet again, and his betrayal of Assad would have been in vain.

/12851

CSO: 3298/244

BELIZE

BRIEFS

UNION-UDP DISPUTE--It has been confirmed that the President of the Public Service Union Mr Herman Brackett, has resigned from the Public Service. Mr Brackett a strong advocate of the UDP is said to have been frustrated and utterly disappointed with the course the P.S.U. is taking. Instead of fighting for better working conditions and benefits for its members, the Union has been playing ball with the UDP government. Up to now the Union has been quiet about the raise in salaries promised to its members and has not moved a finger on the victimization of some of its members. Brackett who had been in the service for at least ten years, is now in the United States of America where it is understood he intends to take up employment. In the meantime, Mrs Beatrice Robateau is Acting President of the P.S.U. /Text/ /Belize City THE BELIZE TIMES in English 24 Nov 85 pp 1, 12/ /12851

CSO: 3298/244

BOLIVIA

BRIEFS

CUBAN BOOK DONATION--Labor Minister Walter Costes Badani has reported that the Cuban Embassy has donated 230 books to the Siglo Veinte National University. The books were presented by Froilan Gonzalez, first secretary of the Cuban Embassy, during a ceremony on 17 December as a contribution to the project of the Bolivian Workers' University, Siglo Veinte University. Rector Isaac Sandoval Rodriguez said it was the beginning of a campaign to provide books for the future mineworkers' university. [Summary] [La Paz Cadena Panamericana in Spanish 1700 GMT 19 Dec 85 PY] 12624

YPFB RECOVERS OIL FIELD--Energy Minister Orlando Donoso reported yesterday that the Occidental company will return the Tita oil field to the Bolivian Government Oil Deposits (YPFB), in May 1986. He said that only a few details remain to be settled before the signing of a new contract with Occidental. He also explained that it has been agreed that the YPFB will honor its debt to this company by first paying 50 percent of the total amount and the rest in monthly installments. YPFB's debt for hydrocarbon deliveries and equipment rental amounts to \$40 million. The energy minister said that the installations at the Tita oil field will help the YPFB to develop other areas. He added that it has been proposed that next year Occidental invest in the development of the Bordo Alto concession for a period of 14 months, and develop and drill oil wells in the Chorritos oil field. On the other hand, YPFB President Rene Guachalla reported that the 1986 investment to be made by Occidental will amount to about \$24 million. He added that the contract has not yet been signed because the Occidental delegation must consult its executive board. However, Guachalla said that it might be signed today. [Text] [La Paz PRESENCIA in Spanish 20 Dec 85 p 8 PY] 12624

NEW OIL EXPLORATION PROGRAM--La Paz, 1 Jan (AFP)--It was officially announced here today that Bolivia will begin an energetic oil exploration program in an attempt to drive away the import ghost, and obtain a surplus to be sold on the foreign market. A report from the Bolivian Government Oil Deposits state that the drilling will be centered in the Santa Cruz fields, east of La Paz, and that the World Bank will finance the exploitation of Vuelta Grande, in Chuquisaca, to the southeast, which is considered the most promising field in the country. It has also been said that in the coming weeks a decision will be made regarding the exportation of natural gas to Brazil. A pipeline would be built between Santa Cruz and Sao Paulo, and would help Bolivia compensate for the reduction of its exports caused

by the collapse of tin price on the international market. Nevertheless, there is a strong belief that Bolivia lacks sufficient reserves to export daily, and for 20 years, 400 million cubic feet of natural gas. It is also believed that Brazil is not in a position to pay an acceptable dollar price for the gas, and would prefer to pay for it with exchangeable merchandise. [Text] [Paris AFP in Spanish 1423 GMT 1 Jan 86 PY] 12624

CSO: 3348/543

BRAZIL

SARNEY ASSESSES FIRST 7 MONTHS OF ADMINISTRATION

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Oct 85 p 34

[Text] Brasilia--President Jose Sarney yesterday confirmed the government position stated to the United Nations Organization concerning the treatment of the country's foreign debt, and he excluded the possibility of pursuing the orthodox procedure internationally recommended for combatting inflation. During a meeting at the Planalto Palace with a group of 47 state deputies, municipal councilmen, prefects, businessmen, artists and writers from Sao Paulo, headed by the secretary of metropolitan affairs, Almino Afonso, who had come to pledge their support of his speech to the UN, Sarney said: "The visit you gentlemen are paying here today gives new strength to the government position. We know that a solution in this country which would not be a great solution for Sao Paulo cannot be a great national solution, due to the size, importance and responsibility of the state of Sao Paulo. Support coming from such important Sao Paulo leadership is important to the government."

Sarney took the opportunity offered by this demonstration of solidarity on the part of Sao Paulo representatives to make a rapid assessment of the 7 months of his government term, recalling that despite the difficulties facing the country, there is total freedom of expression in the political realm. In the economic sector, he predicted growth of almost 6 percent this year, reversing the recessive trend feared by the more pessimistic observers. A million jobs have already been created, real wages have increased by 10 percent, inflation, while it has not dropped off markedly, has started on a declining curve, and the government's public debt has now been almost totally put on the market for a 6-month term at 14 percent interest, while previously up to 22 percent was paid.

The Path Ahead

"Instead of adopting the orthodox international solution, we have chosen a safer path of social peace," the president said, adding in connection with the foreign debt that Brazil today enjoys respectable international standing. "The world knows that Brazil today is not the protege of any country. And that our independent and sovereign position will be utilized in accordance with the interests of the Brazilian people. On the other hand, the firm Brazilian position has now succeeded in modifying the international procedure and view concerning the foreign debt problem, showing it to be not a problem

of a purely financial and simple bank accounting nature, but a profound political situation affecting the life of nations, above all those in Latin America, doomed to a burden which is in one respect intolerable."

The president said further that rather than forcing inflation violently downward, thus throwing the country into recession and unemployment, with the adoption of the orthodox forms of international economics and viewing Brazil solely as an economy designed to provide trade balances for debt payments, he has chosen the safer path through social peace. "This is the path which Brazil without a doubt will have to follow, as a country which must dignify labor and create a more just society, a more humane society, a society of coexistence in which all of us can feel that progress is beginning within each of us."

Earlier, the president heard the speeches by the president of the Sao Paulo Legislative Assembly, Deputy Luis Carlos dos Santos, who "proudly" emphasized the reassertion of our national dignity at the UN, not only in the eyes of foreign creditors but on the positions pertaining to racism in South Africa and torture in some countries, and by Secretary Almino Afonso, who called attention to the fact that the anti-inflationary economy of the country itself will come up against the continuing and intensive devaluation of the cruzeiro, which will require "renegotiation of the foreign debt."

Almino Afonso recognized that putting the economy of the country in private hands is a necessity. "However, we cannot allow this to become a pretext for denationalizing the strategic sectors, nor (as happened under past governments) returning to the practice of favoritism, with the granting of unacceptable privileges to certain groups, either."

5157

CSO: 3442/20

BRAZIL

SARNEY MINISTERIAL REFORM TO FEATURE CABINET RESHUFFLE

Sao Paulo ISTOE in Portuguese 27 Nov 85 pp 22-25

/Text/ A request for collective resignation in January is expected to launch the process of President Jose Sarney's ministerial reform. During the entire past week, a procession of political leaders and elected mayors attempted to flood the Planalto Palace with directives relating to this reform. The winners of 15 November, who visited Sarney in Brasilia, were convinced that from their ballot boxes--and from theirs only--came the most just demands of the entire electorate. And they expressed that certainty without admitting the discrepancy in some of the results such as those, for example, which placed a leftist politician like Jackson Barreto in the mayoralty of Aracaju and a conservative populist like Janio Quadros as the head of the municipality of Sao Paulo.

Jackson Barreto told Sarney that only ministerial reform directed toward the more progressive sectors of society will be able to give political support to the New Republic regime. Dante de Oliveria, elected in Cuiaba, warned the president not to be deceived by the conservative vote which elected Janio in Sao Paulo but to respond to the "leftist majority" vote recorded in other capitals. "I know," was the laconic reply of Sarney, to whom the future Sao Paulo mayor had already sent a word of caution--namely, to reform his cabinet, eliminating the leftists. Triumphant Janio believes that the votes validates everything he says--and, for the time being, he is supporting a mandate of 6 years for Sarney. Triumphant Leonel Brizola, who helped elect Saturnino Braga in Rio de Janeiro, thinks that his "carioca" /Rio de Janeiro/ ballot boxes possess the same attribute; and he supports direct elections for the president in the coming year. In fact, even those defeated in the election think that, despite that defeat, the ballot boxes spoke on their behalf, as is the case with the Liberal Front /PFL/ which supports the inclusion of at least four more of its party's politicians in the new ministry in addition to the four seats it already possesses.

From all indications, Sarney will carry out the reform in accordance with the preferences of a party alliance which will give him political support. The results of the elections will serve at best to dampen the ardor of anyone who considered himself quite powerful before the votes were counted, such as Deputy Ulysses Guimaraes, and enhance the prestige of factions of the PFL which were thought to be at the edge of the

abyss, such as that led by ministers Olavo Setubal and Aureliano Chaves. The reform aimed at by the president will follow certain fundamental lines of support. There are ministers who are untouchable because they have their own following and are therefore essential to any alliance supporting the government. Sarney cannot take the initiative to demand the resignation of Mines and Energy Minister Aureliano Chaves, Education Minister Marco Maciel, Communications Minister Antonio Carlos Magalhaes, and Administration Minister Aluizio Alves.

At the same time, there are allies whom the president would not like to see abandon the government to compete in the 1986 elections, such as Labor Minister Almir Pazzianotto; Transportation Minister Affonso Camargo; Interior Minister Ronaldo Costa Couto; and Treasury Minister Dilson Funaro. Finally, there are those who should be politely obliged to resign in an irrevocable manner. This is essential in order for Sarney to put together a ministry capable of achieving the objectives of his regime and not just plug holes with candidates who are running for office next year. For example, among those who are dispensable are Health Minister Carlos Ant'Anna and Planning Minister Joao Sayad. For the Ministry of Planning the president would like to count on a collaborator less identified with the technocrat model and more skilled in the political game. It is no secret at Planalto Palace that, even after revision, the final version of the National Development Plan (PND), coordinated by Sayad, did not product the impact on public opinion desired by Sarney, precisely due to the excessively academic trait which characterized it.

To fill the seats vacant from January on, the president will not be subject to the campaign pressures and commitments which characterized the ministerial composition of Tancredo Neves. The late president confided upon being criticized by Leonel Brizola. But he may be subject to problems of a different kind. "I will be a ministry of second-string players, since the big names will run for election in 1986," says one of today's ministers, included in the roster of those who will be resigning in order to be eligible to run for the office of their choosing. It might be an exaggeration in his own cause. Sarney already has some improvised names, such as that of Celio Borja who is competing for the ministries of justice and foreign relations. Another assumption for the Ministry of Justice is Paulo Brossard from Rio Grande do Sul. Academician Marcos Villaca is to be head of a new ministry, that of Social Welfare. Seldom heard but often quoted are Anibal Teixeira, secretary of community action, subordinate to the presidency, and Jose Reinaldo Tavares, superintendent of SUDENE /Superintendency for Development of the Northeast/. The PFL may be strengthened by the inclusion of its president, Jorge Bornhausen.

Foreign Minister Olavo Setubal is leaving only because he wants to leave--and wants to challenge the Sao Paulo government. Fernandy Henrique Cardoso was cited as his replacement, but Cardoso has little chance due to his being considered "a leftist." Luis Vianna Filho, who entered the

contest, lost ground for reasons contrary to those of Fernando Henrique--he belongs to the PDS /Social Democratic Party/ and voted for Paulo Maluf, even though he was already 77 years of age. This strengthened the positions of the secretary general of Itamaraty, Ambassador Paulo Tarso Flecha de Lima, native of Minas Gerais and friend of Tancredo, and Celio Borja, political adviser to Sarney and considered capable of holding a ministerial position within a short time.

However, the most prized position is that which is awarded the leadership of the Civilian Cabinet where the government's political action is concentrated. Jose Hugo Castelo Bronco, the current minister and chief, decided to leave to compete for a place in the Constituent Assembly representing Minas Gerais. The president's candidate is Marco Maciel who would then create a vacancy in the Ministry of Education to take on a position more in keeping with his political calling. However, those who aspire to the Civilian Cabinet are in the habit of placing an opponent in the Planalto Palace who does not have ministerial status but who exercises more influence over the president than most ministers: in this case, press secretary Fernando Cesar Mesquita. Therefore, no candidate for the Civilian Cabinet wants him close by. Mesquita recently put together a small battalion of mortal enemies and then invariably fights battles which the president himself would like to fight and cannot, nor wants to. He has already called Nelson Ribeiro, minister of agrarian reform, "incompetent" and publicly discredited Minister Antonio Carlos Magalhaes. He reported the existence of rightist extremists interested in destabilizing the government. As he has no political plan, Mesquita does not take any step, perform any act or make any statement without previously informing Sarney. He has the rare quality of telling the chief everything. Like a professional, he facilitated and democratized access of the press to the Planalto Palace.

Besides the struggle for cabinet reform, the president of the republic will have to keep pace with maneuvers relating to his succession. For threats are being made to shorten his term of office, an initiative which is not dependent solely on Leonel Brizola. The PT /Labor Party/ is also engaged in the campaign for the 1986 presidential elections, and the alliances which Brizola is beginning to put together in the various states might add to the efforts being made to reduce the presidential term. For example, Deputy Nelson Marchezan of the PDS admits that he could be a candidate for the government of Rio Grande do Sul in a coalition with the PDT /Democratic Worker's Party/. This would imply a counterpart on the part of the PDS which is frankly a minority party in that state.

Evidence of such maneuvers has already caused Sarney and his associates of the Democratic Alliance and government to take certain preventive measures. It is known that 2 weeks before the elections, Jose Aparecido de Oliveria, governor of the Federal District, went to Sao Paulo to visit Janio Quadros for whom he was private secretary of the presidency. He denied that he was on a mission for President Sarney. "The truth of

the matter is that I was in Sao Paulo, met with Janio Quadros and made no effort to remain incognito," he said. "It was a courtesy visit and the fact that we talked about the presidential mandate does not mean that I had gone there for that purpose."

"In no way," he added. It was just as he had tried to help Army Minister Leonidas Pires Goncalves during a social meeting in Brasilia last Tuesday which was attended by two ministers, Gov Jose Richa of Parana, mayor-elect Dante de Oliveria and Deputy Luis Henrique of the PMDB /Brazilian Democratic Movement Party/ of Santa Catarina. According to two of those officials, Leonidas said that "maintaining a term of at least 4 years for President Sarney is necessary for the stability of the democratic regime. Any reduction in that term would be the equivalent of a coup d'etat." At the same meeting an attempt was made to consider Deputy Ulysses Giavarina's as a choice for the presidential succession. And the name of Richa was brought up with the agreement of Leonidas of whom the Parana governor is an old friend. "You need to stop using the dimmers and switch to the bright lights," said one of those present. His meaning: to throw more light on the scenario of the battle already being waged by the friends of the government against the fearful strongman, Brizola.

Last Wednesday evening President Jose Sarney telephoned Senator Fernando Henrique Cardoso in his congressional office. Sarney wanted to know how things were going with regard to the second round of voting on Deputy Walmor Giavarina's substitution for the government's amendment convening the Constituent Assembly. In 7 minutes of conversation Fernando Henrique painted a pessimistic picture of the situation: the substitute amendment was running the risk of not being ratified until 5 December when the legislative year ends. The crux of the matter was that the Senate was threatening to reject the proposal if it did not assure certain constitutional powers to congressmen to be elected in 1986; if it precluded participation by the 23 senators elected in 1982 in drawing up the new constitution; and if it prevented the Senate from functioning as an independent organization with the right to reject bills approved in the Chamber.

Although pessimistic, Fernando Henrique gave the president the impression that the Senate was perhaps bluffing in threatening to veto the substitution amendment, precisely because the Senate alone would have to assume the responsibility of indefinitely postponing the most grandiose commitment of the New Republic--that of installing a Constituent Assembly on 1 February 1987. The senator was not mistaken: his colleagues went almost the limit in their determination to prevent ratification of the substitution amendment, unless their demands were met. The senators found themselves in opposition to a judgment handed down by the Chamber's Constitution and Justice Committee whereby two-thirds of the votes of the members of Congress would be required to re-insert in the original text of the substitution amendment the expression: "without prejudice

to their constitutional powers," subjected to separate vote when the proposal was first submitted to Congress. But the senators were supported by deputies from the PT /Labor Party/, PDT /Democratic Worker's Party/ and PDS /Social Democratic Party/ who wanted an absolutely autonomous Constituent Assembly. Led by PT Deputy Jose Genoio, those parliamentarians used the tactic of delaying further developments, to the consternation of Pimenta da Veiga, leader of the PMDB /Brazilian Democratic Movement Party/ in the Chamber.

The tactic used by the senators was not to have a quorum for the vote by leaving through the back door of the plenary assembly hall. It was necessary for Deputy Ulysses Guimaraes to convene the Senate's PFL /Liberal Front Party/ and PDS blocs in this office. Two hours later, at least the PDS members decided to return--even though to vote against the judgment handed down by the Constitution and Justice Committee. With the PFL senators also back in the assembly hall, it was finally possible to vote on the matter at 2100 hours on Thursday. It was a tie: 28 to 28. With the tie-breaking vote cast by Senate President Jose Fragelli of the PMDB, the judgment finally passed.

From then on, voting proceeded normally, despite obstructional attempts made by PT and pro-Maluf members. And at 0200 hours on Friday, with a favorable vote by 324 deputies and 46 senators, Congress appeared to have decided to ratify the Giavarina substitution amendment. But a request to re-count the senators' votes, retrieved from containers held by the PT and PTB /Brazilian Labor Party/, revealed that a vote was allegedly cast by Senator Saldanha Derzi (PMDB-MT /Ministry of Labor/) while he was comfortably installed in his apartment in Rio de Janeiro. In the morning, President Sarney telephoned the senators and stressed the need to vote on the amendment that afternoon. It was worth the effort: the vote was taken and the result was 55 to zero--9 above the minimum required quorum.

This made it possible to determine the dates of the resignation of candidates running for elective offices in 1986: 6 months for current governors and mayors and 9 months for ministers and secretaries of state, unless they are already holding elective offices in which case the date will be 6 months hence. Next week, assuming that once and for all the Constituent Assembly issue will be concluded, Congress is to vote on a bill reducing the term of party affiliation from 1 year to 6 months, according to a proposal already ratified in the Senate. But the tendency of the PMDB deputies is to fix that term at 10 months. In the coming year, the agenda of the legislative branch will include subjects such as the political emancipation of the Federal District with the election of its governor, eight federal deputies and three senators and a Legislative Assembly whose composition has not yet been determined. It will also include discussion of the possibility of double candidacy, as in the past, which, for example, would permit politicians to run simultaneously for governor and deputy.

8568/12276

CSO: 3342/50

BRAZIL

TRADE WITH ARGENTINA TO BE CONDUCTED WITHOUT USING DOLLAR

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 26 Nov 85 p 2

/Text/ Brasilia, AGENCIA ESTADO--A system of compensated trade: this is the name of the formula that Brazil and Argentina may adopt in the coming months to expand their bilateral trade, without directly using dollars; it offers the advantage of dispensing with the use of foreign exchange reserves in transactions and maintaining equilibrium in trade. This formula will be discussed by presidents Jose Sarney and Raul Alfonsin on 19 November in Foz do Iguacu and Puerto Iguazu, at the dedication of the Presidente Tancredo Neves Bridge.

During their meeting Sarney and Alfonsin will discuss other ways of increasing trade and economic, scientific and technological cooperation, especially in the areas of biotechnology, informatics, new materials and nuclear energy. Three other topics have been unofficially placed on the agenda: the foreign debt, Nicaragua, and the activities of their two countries in the OAS, the ALADI /Latin American Integration Association/ and the Plata Basin Group, with the possible addition of the meeting between Reagan and Gorbachev.

The Sarney-Alfonsin meeting means--for the Brazilian and Argentine economies--the ratification of delicate and secret negotiations between the foreign ministries of the two countries, beginning with the concept of developing a joint position to take to the coming creditors' meeting in Cartagena.

Under the system of compensated trade, values are expressed in dollars but only cruzeiros and australs enter into transactions, with settlement made through the central banks of the two countries.

The two foreign ministries, however, make a point of emphasizing the political importance of Sarney's meeting with Alfonsin. After 2 centuries of rivalries Brazil and Argentina initiated a rapprochement during the Falklands War, but it was not until this year, when civilian governments were preparing to re-democratize their two countries, that relations became closer. The two foreign ministries do not conceal the fact that Sarney and Alfonsin telephone each other regularly and with increasing frequency, for informal consultation on the most varied questions. "The days of the great rivalries are gone," Argentine Ambassador to Brazil Rafael Vasquez declares. "We realized that there is a vocation of interdependence between Brazil and Argentina, and we decided to put a new nationalism into practice."

Brazilian Government sources disclose that a new doctrine is being drafted for bilateral relations. It is a "nationalism" based on the premise that South-South relations are more important than North-South relations, and it will be through intensification of commerce and the exchange of information within Latin America that the countries of the Continent will be able to attain a satisfactory level of development.

10992

CEO: 3342/46

BRAZIL

COOPERATION WITH ARGENTINA IN BIOTECHNOLOGY TO BE INITIATED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Dec 85 p 4

[Text] Brasilia--Private initiative in the lead, doing research, forming joint ventures in other countries and seeking new markets, with the government backing it up, financing the research and framing international agreements. This is the Brazilian model for development of a cutting-edge industry that Brazil and Argentina are both beginning to establish--that of biotechnology and genetic engineering, a sector whose profitability will be second only to that of informatics by the turn of the century.

The sector is likely to take a technological leap of 2 to 3 years for Brazil and for Argentina after signing of an agreement for scientific cooperation by presidents Jose Sarney and Raul Alfonsin today at Foz do Iguaçu. This historic meeting between the two presidents--which is the official beginning of a whole new relationship of political and economic integration--also opens the way for bilateral integration in other leading sectors, such as informatics and new materials, emerging in both countries.

Biotechnology is taking the lead, and should serve as a model for the other sectors. The profile is already outlined by the Ministry of Science and Technology: priority for the private sector. The role of the government in cases of cooperation, already defined by Brazil and Argentina through their foreign relations ministries, will be that of organizing meetings, introducing one business firm to another, and making juridical arrangements for cooperation--with treaties such as the one signed today in Foz do Iguaçu.

No fewer than eight industrial agreements are ready to be launched as soon as Sarney and Alfonsin make the major agreement official today. According to projections of the Argentine Secretariat of Science and Technology, the potential Brazilian and Argentine market (as a whole) for biotechnology products is \$100 million, just in the next year. And the world market in 1990 is predicted to be \$80 billion. This is a sector that is growing 50 percent annually.

Two weeks ago, in Foz do Iguaçu, a group of businessmen, bankers, scientists and officials of both governments exhaustively discussed cooperation in biotechnology. The result was today's agreement, and identification of a common interest in joint development in the areas of vegetable hormones, animal vaccines, reagents, "homoderivados" [translation unknown] and culture of plants and tissues.

For example, Biobras has arranged to manufacture in Brazil a reagent for pregnancy with the technology of the Argentine industrial firm Sidus. They will jointly develop a hormone to increase the production of milk through genetic engineering. At the government level, for example, Brazil will transfer to Argentina the technology for production of vaccines against measles, of insulin, and of reagents for diagnosing infectious diseases. It doesn't seem like much, but the market for reagents is likely to be \$2 billion in 1990. And, next year alone, just that of reagents for pregnancy, \$5 million, in Brazil.

"There are several cases of products in which Brazil or Argentina has industrialization technology, but not the critical mass of domestic consumption," reports the biotechnology secretary of Brazil's Ministry of Science and Technology, Joao Alexandre Viegas. "This cooperation will increase the two domestic markets and will lead to savings of time and resources in research. What is interesting is that both sides opened right up at the meeting at Foz de Iguaçu. No one held back anything. We were deeply interested in exchange of information," Viegas added.

According to Viegas' estimates, the 2 to 3 years of research in biotechnology should be streamlined by the agreements that Brazil and Argentina are beginning to discuss. And, in his opinion, this technological leap does not put Brazil on a par with the more developed nations, because in the biotechnology sector, unlike others, "our race is not to do the same thing as the United States does, but to solve our own social problems," he explains.

"We already have the world's most sophisticated biotechnology in tropical agriculture, for example," Viegas further reveals. "But we have to do research in other sectors, such as health and livestock raising, and demystify this fallacy of the technology 'gap,'" he adds.

8834

CSO: 3342/45

BRAZIL

AUSTRIA OFFERS TO AID ENTRY OF PRODUCTS INTO EAST EUROPE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Oct 85 p 34

[Text] Austria is offering to facilitate the entry of Brazilian businesses or products into the closed East European market. The offer was announced by Austrian Vice Minister for Trade, Commerce and Industry Erich Schidt. "Our delegation has not come to sign immediate contracts, but to seek formulas for reducing the 12-to-1 ratio in the trade balance between the two countries," Schidt told the Brazilian secretary general of the Ministry of Foreign Affairs, Paulo Tarso Flecha de Lima, yesterday morning.

In the delicate balance of diplomacy and international business, the visit being paid by this Austrian delegation is only preliminary. But favorable transactions are likely to be initiated now, particularly for Sao Paulo metallurgical concerns and travel agents. Brazil exports goods worth US\$95 million to Austria, while it exports goods worth only \$7.5 million to Brazil, yielding a ratio of 12:1, which it is hoped can be reduced. "We can facilitate Brazil's entry into East Europe and increase the transfer of technology," Schidt said, laying down the first cards in the game.

"Brazil is interested in research, development and a transfer of technology," Ambassador Flecha de Lima said, in turn. Following the statements by the two parties, plans are beginning to be laid for good business deals. Hydraulic energy, oil and gas extraction, railroad maintenance and mining are the fields to which the negotiations pertain.

Trinidad-Tobago

Beginning next year, Brazil will export several million tons of iron ore to Trinidad-Tobago, a small Caribbean nation, from which it will subsequently import pig iron for processing into sheet steel, Nikolaus Jancso, director and superintendent of Voest-Alpine of Brazil, has announced. Voest has signed a contract whereby it will take over full management of the state metallurgical enterprise in Trinidad-Tobago.

Only the enterprise president will remain in the administration. The annual production will come to 1 million tons of iron, and Voest is signing a contract with the Vale do Rio Doce company this week, whereby Brazil will supply the ore. A part of the iron from Trinidad will return to Brazil to be

processed into steel sheets. What quantity and which Brazilian steel mill will be involved in this contract, which runs to millions of tons, remain to be decided.

Also this week, an Austrian trade mission is to sign a contract with Torque, in Araras, Sao Paulo, calling for the transfer of the technology for the production of hydroelectric miniplants. In March, Torque began the construction of six miniplants in Amapa, with a capacity of 2.5 megawatts each. Voest Alpine also wants to transfer the technology for the manufacture of miniturbines. "What we want to do is to become more prominent on the Brazilian and world markets," the superintendent of the enterprise explained. "By producing turbines in Brazil, we will be moving closer to supplying them to the Latin American market," Jancso added.

5157

CSO: 3342/20

BRAZIL

PROGRAM OF NEWLY ELECTED SAO PAULO MAYOR QUADROS OUTLINED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Nov 85 p 11

[Article by Pedro Zan: "What To Expect of the New Mayor"]

[Text] Janio Quadros never bothered to have a governmental program, for one simple reason: "I am the program," he would say. He repeated this statement several times this year, but he also made many promises. He ultimately did set forth an "informal program" of government that includes the return of old street cars, creation of a municipal police force, construction of the mono-rail and transfer of the Metro Subway Company to the municipality. The Metro, however, is a state enterprise.

To eliminate the deficit of 400 million cruzeiros of the CMTC [Municipal Public Transit Company] (not "trillions," as he had stated), Janio promised to restructure the company and run it as a private enterprise. The only thing is that the Municipal Public Transit Company--because it is an enterprise of a social character and does not live on profits--could never be compared to a private enterprise. The former president wants more than a restructuring of the CMTC; he wants the sector entirely under public ownership.

Bringing the public transit system under public ownership was the goal of many administrators in the past, a goal never realized. Bringing all the privately owned bus companies under public ownership would represent an investment of trillions of cruzeiros--an investment beyond the capacity of the already inadequate municipal budget. The plan has accordingly lain for years on the shelf at the Municipal Secretariat of Transportation.

It has been 32 years since Janio was mayor of Sao Paulo, but that doesn't intimidate him. The city, in his opinion, continues with the same problems as in the past and--proportionately--the same amount of resources to correct deficiencies that have grown worse. Sao Paulo is today--according to the former president--a "monster," a region of "almost impossible living conditions" that by the end of the century will have a population of 30 million and be the second largest city in the world.

Janio Quadros' first priority is public security. He wants to create a municipal police force by rehabilitating the former Civil Guard, as if a mere decree were sufficient to resolve the crime problem in Sao Paulo. The matter

is more complex than that: the municipal police forces are subordinated to the State Military Police and by extension to Governor Franco Montoro. They are not autonomous and are limited in their functions; for this reason they are unable to correct the lack of security in Sao Paulo.

Janio Quadros also wants submunicipalities that are subordinated directly to him rather than regional administrations that act with complete independence, including budgetary independence, as Eduardo Suplicy actually suggested during the campaign. New formulas are called for in the areas of transportation, education and supply, in addition to incentives for the rental of housing as one possible solution to achieve a reduction in the growing housing shortage.

The new mayor has a dream that he wants to transform into reality: the construction of the "bullet train," of Japanese technology, in Sao Paulo, and a rapid, efficient monorail transit system for regions where there are no plans to extend subway lines.

As far as Mayor Janio Quadros is concerned, the subway lines will be extended only if they have federal funds for the purpose. The municipality will not spend "one red cent" more on the undertaking, even though it is the second largest shareholder in the company. That is what the new mayor of Sao Paulo says.

Janio Quadros is going to provide incentives for the creation of more open-air free public markets, on one condition: that the vendors operate on a smaller profit margin. Those who serve the public will have to be more efficient and serve the public better, if they are not to receive the fearsome "tickets" for which the former president of the republic was famous.

One of the tasks of the new mayor is to share responsibilities with the state and federal governments. It is not possible, under present conditions, to govern Sao Paulo by oneself--even when the one who governs has lots of experience, as for example Janio Quadros.

The idea is to keep the municipal administration "open" to the public, as in the past when Janio used to receive the public in his office. Another of his goals is to revive the public audiences such as he used to give--as mayor in 1953--in the old building on Florencio de Abreu Street.

Cleaning out gullies and creeks is one of the priorities of a government that is concerned about flooding--a problem that is difficult of solution and has necessitated huge investments by more than one administration. Traffic education will also be encouraged, because Janio Quadros believes that the DSV /expansion unknown/ ought to exist not to levy fines but to orient and instruct motorists.

Slothful civil servants, and numbers game bookies, will have no place in the Janio Quadros administration. He guarantees it. All existing numbers establishments in the city will be closed summarily--a matter that is the function of the state police, not the municipal government. The market vendors will be required to wear white aprons, and the food will be covered by glass or plastic bell jars to prevent contamination.

To govern Sao Paulo, Janio is going to appoint a secretariat that can be "compared to a cabinet." He says, with a serious air: "I'm not sure that President Sarney won't ask to borrow some of my men, or some of the women, that will make up the secretariat."

As for the housing program, the new mayor already has a position. He is going to construct buildings that will have a maximum of four stories and be more comfortable. They will be different from complexes such as the three that COHAB [Low-Cost Housing Company] has in Itaquera. "The Cohabs," he says, "resemble aviaries and dovecotes more than human habitations."

The plans of Janio Quadros include a complete reform of the educational system, with the introduction of vocational and technical curricula. "It is inconceivable that our young people should graduate from their secondary school courses entirely unprepared: that is, without a trade," he said.

In the area of public health, there will be more child care centers. These not only offer care for small children but free working women from the responsibility of caring for their children during part of the day.

Janio Quadros does not want to institutionalize shantytowns during his administration, or to "inflate" them, as occurred in the Reynaldo de Barros administration. They almost always occupy areas of the public domain or are municipal property--something that does not please the former president.

The success of the Janio Quadros administration was based, in the past, on an efficient system of finance that reduced public expenditures. Then, Carvalho Pinto served as the guarantor of the administrative actions taken by the former president so that Janio could allocate investments to priority sectors. Who will be the Carvalho Pinto of today? "Oh, I'll find someone," Janio Quadros replies.

Corruption in the municipal government will also be eliminated, if the new mayor has anything to say about it. In fact, there is already a formula to do this: "Enforce the law," he explains. "This is why we have laws, investigations and administrative inquiries. In the administrations that I formerly headed, I carried out hundreds of dismissals. When I became president of the republic I started tens of administrative inquiries and tens of investigations, all of which were pigeonholed. In this municipal government there will be no pigeonholing."

10992

CSO: 3342/46

BRAZIL

EFFORTS BY EXTREME RIGHT TO EXPLOIT DIFFICULTIES VIEWED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Oct 85 p 5

[Article by Carlos Chagas: "Right Wing Concerns Government"]

[Text] There is no worry nor excessive fear, much less panic. But the chief advisers to President Jose Sarney do not conceal their concern. It exists, and therefore a succession of studies and analyses of reports is under way at the Planalto Palace.

There is talk of, or the advisers are discussing, an effort by the extreme right wing to promote a resurgence. They say that this is even tangible, with exploitation of all of the possible incidents on the political, social, economic and organizational levels. Well-organized and careful to profit from the difficulties, misunderstandings and natural confusion resulting from the advent of the New Republic, the extreme right wing is acting as the extreme left wing has done, only with greater competence, because it is not showing its face. It began, moreover, before 15 March of this year, with an effort to muddy the atmosphere and prevent the triumph of the Democratic Alliance. The red banners at the rallies for Tancredo Neves, the plastering of walls with Marxist slogans and posters, the presumption that the armed forces as an institution would be sent to the defendants' bench, the predictions of chaos and upsets--all of this was the product of a carefully hatched plot, to which the facts, happily, gave the lie.

With the installation of the present government, the extreme right wing sought and is continuing to attempt to contribute to the development of irritation. Politically, it is trying to show that the president of the republic is a prisoner of leftist commitments and at the mercy of the strategy of agitators, while supporting certain candidates for the post of prefect in the capital, and even placing the support democratic and liberal forces may give them in jeopardy. On the social level, it is seeking to bring the range of demands down to one level and to rally the workers' movements in radicalization as the common denominator. Economically, it never ceases to deny the possibility of success for any of the plans and projects, while also seeking to place just and constructive criticisms on the same level as pure negativism. In the administrative sector, it is creating fear and seeking to equate natural fears with the eternal immutability of the existing structures, as in the case of agrarian reform.

The reasoning is again provided by the top-ranking presidential aides. They link a series of recent episodes, such as the publicizing of a report, which was incidentally denied yesterday, to the effect that Jose Sarney will not attend the ceremonies to commemorate the communist revolutionary plot, on 27 November, because of promises made to the once clandestine but now legal parties. The report in this instance is entirely wrong. The president will go to the Sao Joao Baptista Cemetery in Rio, in accordance with the tradition dating back to the 1930s. It is only that his schedule for the coming month has not been fully finalized, so that, in answer to the malicious inquiry made, his advisers answered that the trip to the former capital had not yet been definitely scheduled. If there is anyone who rejects the communist doctrine, it is the president, who even, a few days ago, after following the entire route of the Candle of Nazareth procession with the crowd in Belem, repeated a comment made the year before by Tancredo Neves. "And still they speak of communism in this country..."

The question of amnesty for the military officers suspended since 1984 is another dish which the right-wingers have savored. They proclaim that vengeance prevails and predict shakeups and clashes if approval is given in accordance with the subamendment proposed by Deputy Jorge Uequed. In reality, the matter was clarified some days ago in a substitute amendment, so that emotion can only be created by stirring political passions. Those suspended would have their commissions reinstated and would be entitled to their respective wages, as of the present, but they would not rejoin the military ranks. They would merely be reinstated, meaning that for lack of meeting certain conditions, some of them professional, due to 20 years' exclusion from military life, they will not return to active service. Nor will they receive cumulative back pay. There is no one among the military ministers and high-ranking officers who protests against this, although there was indeed resistance to their re-enrollment and to the payment of back wages.

The extreme right wing has also exploited the reopening of the investigation concerning Riocentro and the assassination of newsman Alexandre von Baumgarten, as if this were revanchism on the march, and the beginning of a process which might lead the armed forces to the defendants' bench. But the position adopted by the head of the government and his military ministers is clear. Police matters are just that, and the amnesty does not nullify the Penal Code, much less do any events which have occurred since its promulgation. As Minister Antonio Carlos Magalhaes reiterated just yesterday, some episodes may be harsh and traumatic, but the New Republic is strong enough to survive them.

What the Planalto Palace is seeing with concern, it is worth repeating, is a kind of action orchestrated by the extreme sectors of the right wing, seeking to gather and stitch everything into a single whole, in order later to try to destroy it. This is something very like what the extreme left wing does, still committed as it is to torpedoing the convocation of the National Constituent Assembly and obtaining rights and prerogatives for the suspended military officers even beyond what they themselves demand.

And as to names? For the time being, President Jose Sarney's advisers are keeping silent, preferring to charge no one, among other things in order to avoid the injustice of naming those who should not be named or overlooking those who should not be overlooked. But they will have to be sought in a specific PDS [Social Democratic Party] group, among certain military officers now in the reserve, among civilians who have also been excluded, and (a few) figures from the old regime, and even some candidates for the prefects' posts in the large capitals. Although the government is not naming them in public, it has them under its scrutiny. This is not so much scrutiny by the media, in fact, as the watchfulness thanks to the experience and knowledge of men and situations characteristic of a president of the republic who is a veteran in the duties of public life.

5157

CSO: 3342/20

BRAZIL

PT ASSESSES PARTY SHOWING IN MUNICIPAL ELECTIONS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Nov 85 p 4

[Text] The Workers Party [PT] spent Friday and Saturday analyzing the results of the municipal elections throughout the country and only after a complete evaluation will it think about elections for state offices next year. Francisco Weffort, its secretary general, explains that this is the way the PT works, "concerned more with a programmatic discussion than with determining names for the next elections."

The PT leadership does not hide its euphoria with the victory of its candidate in Fortaleza and with the good results obtained in other state capitals, beginning with Sao Paulo, but believes it is still early to talk about names for November of 1986. According to Weffort, this weekend's evaluation extended to the federal level (the performance and possibilities of the Democratic Alliance).

"Despite the importance of Sao Paulo, decisive for Brazil, the national picture cannot be overlooked. Discussing the municipal elections at that level was our first concern. Only later will we take care of the state elections in Sao Paulo. It is a broad discussion and on several levels, as what the national executive board does now the regionals will also do on 14 and 15 December, bringing us their conclusions."

The PT is analyzing the past and planning the future, without mentioning any names, for the time being. But if he were to speak, the secretary general would begin by mentioning Eduardo Suplicy, "for the success his campaign for mayor of Sao Paulo had, with almost 200,000 votes for the PT." He admits that there would be other good candidates (and he mentions Djalma Bom, Dalmo Dallari, Luiza Erundina, Jaco Bittar and, naturally, Lula), but he emphasizes Suplicy:

"After Lula, he is the PT's best-known name, a candidate able to get votes among the workers and the middle class, maintaining the party's link with the people, a party that is also open to dialogue. It was proven that this alliance (workers and middle class) is very good."

Eduardo Suplicy, who left Tuesday for 6 days of rest in Picinguaba, on the north coast, said that he is "the last name on the list of PT candidates," but he is available to his comrades if chosen as their candidate, "after a diagnosis of the municipal elections and approval of a plan for the state campaign."

To the names mentioned by the secretary general, he adds Weffort himself, Helio Bicudo, all the federal deputies and even Jose Dirceu, "all excellent for an analysis by the convention." Suplicy insists, however, on the need for discussion and for consulting the rank and file:

"The most important thing is to call a kind of symposium to outline policies for the state, and going on to choose names only in a second step. This is the way it was done for the municipal elections and this is the democratic procedure."

It is probable that the PT will not have a nomination for Bandeirantes Palace before the end of the year, but it is certain to launch a candidate. Weffort believes a coalition with the PMDB [Brazilian Democratic Movement Party] would be very difficult, practically impossible. His argument is based upon past experience: "The PMDB already arrives with its candidate chosen and, really, just comes to ask for support." It would be easier to talk first about other topics, "such as the Constituent Assembly, agrarian reform and unemployment."

To go on to talk about names, according to Weffort, would be a natural consequence, but the PMDB would have to talk without previous conditions. And the PT would begin talking about national problems and problems of the government.

8834

CSO: 3342/45

BRAZIL

DIFFICULTIES IN CONTINUED MAINTENANCE OF AD DISCUSSED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Nov 85 p 10

[Text] Brasilia--No leader of the PMDB [Brazilian Democratic Movement Party] or the PFL [Liberal Front Party] has openly and publicly taken the position that the Democratic Alliance [AD] is a thing of the past. All of them, although knowing that the wounds opened in the recent municipal campaign will take time to heal, still prefer to think that the pact put together with such pains by the late President Tancredo Neves will endure.

Ulysses Guimaraes and Aureliano Chaves assert, even with some insistence, that at the national level the Democratic Alliance must be preserved. But they both realize that the closer the time of choosing a presidential candidate arrives, the closer they will come to a parting of the ways. It will be very difficult to prevent the collapse of the Democratic Alliance at the time of the gubernatorial elections in 1986. The widespread opinion in Congress is that there will be at least three candidates to succeed Sarney--Ulysses, Aureliano and Brizola.

The Alliance did not pass its first electoral test. The 15 November elections showed that on the municipal level each party acted in keeping with its own interests. In only a few capital cities did the PMDB and the PFL unite. In the vast majority, they were in open conflict. These problems are likely to be repeated in 1986. In many states the PFL already has a candidate for governor. The PMDB follows the same pattern, as does the PDT [Democratic Workers Party]. The PDS [Social Democratic Party], if it survives until 15 November of next year, will again enter into an odd assortment of alliances to remain in contention.

In Sao Paulo, for example, [Foreign Affairs] Minister Olavo Setubal, PFL candidate for Bandeirantes Palace, would not refuse the support of the PMDB, in a coalition. But he makes one "small" demand: he wants a "name" candidate from the PMDB as his running mate for lieutenant governor. But Orestes Quercia, Mario Covas and Almir Pazzianotto wouldn't dream of being Olavo Setubal's running mate.

Minas Gerais Situation

In Minas, the PMDB already has several candidates for Liberdade Palace and no one is heard mentioning a coalition with the PFL. Senator Itamar Franco, Contagem Mayor Newton Cardoso (who gave strong support to mayor-elect Sergio Ferrara in the recent campaign in Belo Horizonte), party leader Pimenta da Veiga, party

secretary Carlos Cotta, among others, are not thinking of giving in to the PFL, accepting a candidacy for lieutenant governor.

Governor Jose Richa, in turn, admits that the municipal-election campaign in Parana --he won in all 13 municipalities--left its marks on the relationship of his PMDB with the PFL of Ney Braga and Norton Macedo. To make matters worse, [Mines and Energy] Minister Aureliano Chaves participated in the state campaign and traded barbs with the governor. The Parana PFL allied itself with Brizola's PDT, supporting Jaime Lerner.

In Rio de Janeiro, the differences between the PFL and the PMDB were no more pleasant. The PFL leaders supported Rubem Medinda against the PMDB and the PDT. In Pernambuco, the PFL and the more moderate PMDB were allied against the dissident PMDB which supported the PSB [Brazilian Socialist Party] candidate, Jarbas Vasconcelos. Another union of the PFL of [Education] Minister Marco Maciel and Governor Roberto Magalhaes with the PMDB of Marcos Freire and Sergio Murilo is under consideration, but there are efforts to reunify the PMDB, with assured positions for the party's regional leaders. In a reunified PMDB, there is hardly likely to be room for the PFL.

In Rio Grande do Sul, the PFL supported the defeated PMDB candidate for mayor of Porto Alegre. In 1986, the same coalition may exist, as the PDT does not want to lose the race for governor, and is showing signs of being willing even to unite with the PDS of Nelson Marchezan.

In Piaui and Maranhao, a PMDB-PFL coalition is under consideration, as should also occur in Paraiba and Sergipe. In Rio Grande do Norte, it is unthinkable.

In Mato Grosso, the mayor-elect of Cuiba, Dante de Oliveira, is not refusing to study the union of his PMDB with the PFL, to confront the PDS-PDT alliance. In Mato Grosso do Sul, despite having competed separately for mayor of Campo Grande, the Democratic Alliance may work together. In Santa Catarina, the common adversary of the PMDB and the PFL is the PDS of Governor Esperidiao Amin and the PDT of Senator Jaison Barreto. They could come to an agreement.

In Ceara, the PDS of colonels Virgilio Tavora and Cesar Cals, with the PTB [Brazilian Labor Party], fought against a common adversary--the PMDB of Governor Gonzaga Motta, squeezing out the PFL of Col Adaauto Bezerra. In this battle the PT [Workers Party] of Maria Luiza [Fontenele] emerged victorious. For 1986, the PDS and the PFL may unite in Ceara against the PMDB.

New Changes

From now through January, relations between the PMDB and the PFL could improve or worsen, depending upon the intensity of negotiations for the new cabinet. The PFL wants the Social Security (or Health) and Science and Technology ministries, being willing to trade the Foreign Relations Ministry for another portfolio, without losing the ministries of Education, of Mines and Energy, and of Debureaucratization (if it is not abolished).

8834

CSO: 3342/45

BRAZIL

ARMY MINISTER ORDERS PRIVATIZATION OF IMBEL

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Nov 85 p 2

Text Brasilia, AGENCIA ESTADO--"The order from the minister of the army is to privatize. For this reason IMBEL Ordnance Industry will be expected to retain as its own only the Piquete and Estrela (respectively ammunition and rocket propellant) factories, in addition to the Prologo factory." This revelation is from Jose Luiz Whitaker, president of ENGESA Specialized Engineers, Inc. and former president of IMBEL, who explained that "from the financial standpoint it is not logical for the army to bear the expense of the modernization that has become urgent in some of its factories, with a view basically to making it possible to compete in the foreign market."

Whitaker took part yesterday in a debate held on the subject of the ordnance industry by the Foreign Affairs Committee of the Chamber of Deputies, where he submitted to questioning concerning administrative disagreements that occurred within IMBEL in 1982 and 1983. Both the contractor himself and IMBEL's move to the Rio-Sao Paulo axis were the object of heated debate between deputies Israel Dias Novaes (PMDB-SP) Brazilian Democratic Movement Party-Sao Paulo and Nelson Marchezan (POS-RS) Social Democratic Party-Rio Grande do Sul. Because Marchezan was a leader of the previous government he was accused of having neglected to inform the opposition, in 1983, of the intention of the Army and Whitaker to move the headquarters of the company to Sao Paulo, in a real estate transaction that has been called into question by the PMDB deputy.

Before the debates, the president of ENGESA presented an analysis of the defense industry and emphasized the necessity for professionalizing IMBEL as a means of gaining access to the foreign market. The export of ordnance--in the view of the Sao Paulo contractor--is a basic prerequisite for the nation to remain economically healthy and independent and therefore administrator of its own foreign debt. Acknowledging that he was disappointed with the questioning by the committee of the Chamber of Deputies, Whitaker explained to newsmen the appointment of the current president of IMBEL, Jose Gelazio Rocha, an engineer without experience in the armaments field. "The minister ordered the privatization of IMBEL," Whitaker said. "What the Force needs is an honest and competent administrator, and Gelazio Rocha fills the bill perfectly, and in addition he enjoys good relations with the military and was a student at the ESG War College."

10992

CSO: 3342/46

BRAZIL

IBGE: UNEMPLOYMENT DOWN IN SIX MAJOR CITIES SURVEYED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Oct 85 p 37

[Text] The average unemployment rates between January and September of this year in the six metropolitan regions studied by the IBGE [Brazilian Institute of Geography and Statistics] showed a decline of 25 percent as compared to the same period last year. The average rate for September was 4.8 percent, as compared to 5 percent in August. In Recife, Salvador, Sao Paulo and Porto Alegre, the unemployment indices during the week used for reference dropped between August and September, while in Rio and Belo Horizonte, no significant change was seen. The results also showed recovery in the employment level in all sectors of activity as compared to 1984, most notably in civil construction and trade.

The figures for the monthly employment study were released by the IBGE administration in Rio yesterday. These figures are calculated on the basis of the economically active population over 15 years of age seeking work in the week used for reference in the study (expanding the period to 30 days, the rate rises to 5.2 percent).

Unemployment Rates in the Reference Week for Individuals
15 Years of Age or Older (in percentage)

	<u>Recife</u>	<u>Salvador</u>	<u>Belo Horizonte</u>	<u>Rio de Janeiro</u>	<u>Sao Paulo</u>	<u>Porto Alegre</u>
1984						
September	9.6	7.8	7.7	6.4	6.4	6.1
1985						
January	7.7	6.3	7.3	6.4	6.0	5.5
February	6.9	7.4	7.4	5.7	6.0	5.4
March	8.7	6.9	7.7	6.0	6.2	6.6
April	8.5	6.3	6.4	5.6	6.0	6.1
May	8.4	6.2	6.1		5.7	6.5
June	8.3	5.6	5.9	5.0	5.6	6.0
July	7.6	6.5	5.3	4.8	5.2	5.9
August	7.5	6.9	5.0	4.3	4.8	5.6
September	6.9	5.6	5.2	4.3	4.5	5.2

If individuals working for themselves, those receiving no income or receiving compensation of less than one minimum wage are added to the group seeking work in the reference week, an average unemployment rate of 11.8 percent is obtained for September. However, there was a reduction of 7.8 percent in comparison to August (12.8 percent) and 19.9 percent in comparison to September of last year (14.7 percent). As in earlier months, Recife and Salvador continued to show the highest unemployment rates among the metropolitan regions (18.3 percent and 18.1 percent respectively).

5157

CS0: 3342/20

BRAZIL

SEPLAN PROJECTS 7.2 PERCENT 1985 INDUSTRIAL PRODUCTION GROWTH

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Oct 85 p 35

[Text] Brasilia--Industrial production will show an increase of 7.2 percent this year as compared to 7.6 percent for 1984, according to the most recent projections by the SEPLAN [Secretariat of Planning]. These projections are substantially more optimistic than earlier situational reports.

The development of industrial production was projected at a 12-month rate until August, normally the month in which sectorial growth peaks. However, the technicians believe that something similar to what happened in 1980, when the monthly increase greatly exceeded the figure, without reference to season, for the same period the preceding year, will occur again this year.

The projections show that an increase will be seen in the processing, capital goods and consumer goods industries. In the last mentioned, for example, production jumped from 0.3 percent in 1984 to 7.1 percent this year, showing that the real recovery in wages has been heating up the economy considerably. There will be a decline for industrial production and extraction of minerals and intermediary goods.

Industrial Production--1984 Growth Rates and Projections for 1985

<u>Sector and Category</u>	<u>1984</u>	<u>1985 (estimated)</u>
General industry	6.7	7.2
Ore extraction	27.3	10.8
Processing industry	6.0	7.0
Capital goods	12.8	12.9
Intermediary goods	9.8	6.5
Consumer goods	0.3	7.1

Drafted by the INPES [National Institute of Research]-IPEA [Applied Economic-Social Research Institute], 15 October 1985

In the period between January and August, the increase in industrial production was 6.8 percent over the same period last year. The increase over 12 months comes to 7.8 percent. The leading increases are seen for the electrical and communications equipment industry (15.0 percent), textiles (13.3 percent), the metallurgical industry (8.6 percent) and transportation equipment (8.1 percent).

5157

CSO: 3342/20

BRAZIL

BRIEFS

OIL PLATFORM TO ANGOLA--The initial export of an oil drilling platform manufactured entirely in Brazil begins to materialize today with the start of the 2 weeks' voyage to Angola of the Palanca 1 platform. The platform was constructed by Metal Structures, Inc. and Setal Industrial Installations--Brazilian companies--at their construction yard in Niteroi under contract to BRASOIL, the overseas subsidiary of BRASPETRO /PETROBRAS International, Inc./7. The announcement was made yesterday by BRASPETRO Vice President Antonio Seabra Moggi and the other directors of the subsidiary of PETROBRAS, which submitted the winning bid in the international competition to supply the platform--through BRASOIL--to ELF /Gasoline and Lubricants Company of France/ Aquitaine, operator of Block No 3 on the Angolan continental shelf. Moggi emphasized that in addition to being built within the contractual time limit of 10.5 months, the equipment had been subjected to rigorous quality control by the French company. The platform--which cost \$7 million--will drill 16 wells in Angola. It weighs 1,800 tons and is 48 meters in height, the equivalent of a 17-story building. It will be transported by Micoperi Ocean Installations of Brazil, L d. Antonio Moggi emphasized that another platform--also for ELF Aquitaine--is in the final phase of negotiation; it will produce petroleum in the Palanca field in Angola. BRASPETRO expects to sign a \$27 million contract before year's end, of which sum \$15 will represent the export of equipment from Brazil for construction of this platform. BRASOIL--in association with PETROMAR UEM, an Angolan company, and Bouygues--is also participating in the construction of this new drilling platform for ELF. All the components of the jacket (piles of the platform), deck and control module will be manufactured and exported from Brazil. /Text/ /Rio de Janeiro O GLOBO in Portuguese 3 Dec 85 p 18/ 10992

TANKS TO SAUDI ARABIA--Saudi Arabia is holding talks with the Brazilian Government for the purchase of 1,000 tanks of the Osorio type, in a \$3 billion transaction. This information was transmitted yesterday by the Kuwait press. The British Government, which is negotiating the sale of Challenger tanks to the Saudis, refused to comment on the matter. Two of these tanks were sent to Saudi Arabia in July of this year to carry out tests in the desert. The British tank is equipped with electronic devices and costs 1 million pounds sterling. /Text/ /Rio de Janeiro O GLOBO in Portuguese 3 Dec 85 p 24/ 10992
CSO: 3342/46

SONDA-4 LAUNCHING--Natal--The second rocket of the Sonda-4 series was launched at 1100 hours yesterday at the Barreira do Inferno base, 25 kilometers from Natal, with only one problem--a defect in the transponder, the apparatus that enables communication between the rocket's payload and radar. Without this information, which the computer should have furnished, the technicians had to use the Barreira do Inferno's telemetry equipment to monitor the flight. Technicians of the Aerospace Technology Center (CTA) concluded that the Sonda-4 attained the 660 kilometers of altitude predicted for its apogee and that the payload fell 500 kilometers from the coast and not within the planned radius of 250 km. As of yesterday, the retrieval team had not been able to locate the payload. But, despite the problems, Air Force Brig Gen Hugo Piva, director of the CTA, considered the launching a success. Only three of the expected cabinet ministers were present at the launching: Roberto Gusmao, of Industry and Commerce, Moreira Lima, of Air, and Jose Maria, of the Armed Forces General Staff. The Sonda-4, which is 12 meters long and weighs 7.5 tons, will serve as a support vehicle for the satellite that is to be launched within 4 years. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Nov 85 p 10] 8834

CSO: 3342/45

CHILE

ANDRES SALDIVAR CALLS FOR CIVIL DISOBEDIENCE

PY042336 Santiago Radio Chilena in Spanish 1630 GMT 3 Jan 86

/Text/ Andres Saldivar Larrain, the president of the Christian Democratic International, has said that civil disobedience is part of the call for the mobilization of all sectors of the country.

He also said that the election of a congress by popular vote will definitely open the transition to democracy, but that this will be very difficult to achieve because of the president's stubbornness.

Saldivar pointed out that despite the president's rejection of the National Accord, the possibility of achieving a dialogue should not be discarded. He said, however, that a strong social mobilization and civil disobedience will be necessary to be able to hold talks with the armed forces.

/Begin Saldivar recording/ Civil disobedience is the most typical expression of peaceful resistance. Civil disobedience involves peaceful, nonviolent actions. The most typical expressions of civil disobedience were the ones carried out by Gandhi in India and Martin Luther King in the United States. They rejected violence as a way of struggle, but they did not stay idle because of it. They carried out several individual and collective civil disobedience campaigns. They made their opponents change their intransigent positions. Their actions were, therefore, successful. I believe that a process of civil disobedience carried out individually, collectively, and in social groups can be successful if there is a common program. /end recording/

Saldivar said that students, workers, transporters, shantytown dwellers, and businessmen have their own demands, and they must carry out civil disobedience according to those demands.

/Begin Saldivar recording/ The important thing is to become aware that in view of Pinochet's stubbornness, the opposition and the people have no other choice than to mobilize through peaceful means rejecting violence from wherever it comes, rejecting extremism and terrorism but carrying out acts of civil disobedience to demand the civil right to return to democracy. Civil disobedience can go from the simple mobilization of a symbol representing disobedience or a simple social demand up to the peaceful paralyzation of activities. /end recording/

Andres Saldivar said that it would be positive if the social mobilization could be carried out with other political sectors, including the Popular Democratic Movement. He added that the mobilization should be carried out with precise objectives without regard to ideology and that the important thing is to seek democracy through peaceful means.

/12228

CSO: 3348/327

CHILE

PINOCHET'S AMBITION CITED AS CAUSE OF TENSION

PA062006 Havana International Service in Spanish 0000 GMT 6 Jan 86

["Our America" commentary]

[Text] General Augusto Pinochet, leader of the Chilean military regime, increased tension to an extreme in that southern country in 1985 due to his ambition to stay in power for life.

Although the dictatorship's leader had previously assured that his term would end in 1989, he said last December that he will stay in power past that date.

Large popular demonstrations that took place last year left no doubt about the repudiation of the people toward a power maintained through force, repression, and crime.

The official rejection to the national accord for a return to democracy, which was signed by 11 political organizations of diverse ideological tendencies and promoted by the Catholic Church of that South American country, was among the incidents that worsened the situation in Chile.

To disregard that document, among other things, Pinochet argued that the points of the national accord do not recognize the 1980 Constitution which was approved during his administration.

Following the official rejection of the accord, antigovernment reactions multiplied. The opposition Democratic Alliance had warned that such a position would bring about negative consequences of which Pinochet himself would be the sole culprit.

The military leader is trying to realize his ambition of becoming dictator for life with a sinister repressive apparatus that killed 67 people in 1985, according to a report from the Vicariate of Solidarity, an institution under the Chilean Catholic Church.

A document published by SOLIDARIDAD magazine, organ of the Vicariate, states that at least six of those deaths took place in police centers and claims that they died as a result of torture and other physical and mental punishment.

The document adds that the others were killed during large demonstrations carried out during that year. As known, carabineros, who are agents of the militarized Chilean Police, repress opponents in coordination with troops of the Armed Forces.

To get a picture of the atmosphere of terror imposed by Pinochet in Chile, it is enough to point out that there were more than 4,989 arrests in 1985 of which more than 3,900 took place during clashes between demonstrators and regime henchmen.

Undoubtedly, Pinochet's refusal to abandon his easy chair in the La Moneda [presidential] Palace in 1989, added to the unleashed repression and the serious economic crisis afflicting the country, will intensify the anti-dictatorial struggle this year.

/6091

CSO: 3348/332

CHILE

COMMUNIST PARTY LETTER TO DEPUTY ARMY COMMANDER

PY042152 Santiago ANALISIS in Spanish 24-30 Dec 85

/Text of undated Chilean Communist Party letter: "The War Against the People Must End," published as an insert by ANALISIS magazine/

/Excerpts The Communist Party /PC addressed a letter to Lt Gen Julio Canessa when he still held the post of deputy commander in chief of the army and when in that capacity he delivered an inaugural speech to the Conference of American Armies (CEA) in Santiago.

Since I deem the contents of the PC's letter to General Canessa of interest to public opinion and the Chilean people in general, I have considered it appropriate to request its publication as a contribution to the substantive national debate on the armed forces.

/Signed Fanny Pollarolo.

To the Deputy Commander in Chief of the Army, Lt Gen Julio Canessa Roberts

General:

We have had the opportunity to learn the full text of the speech you gave on 11 November at the opening of the 26th Conference of American Armies held in our country. We consider this speech to be extremely serious. In it, you advocate continuing the struggle against communism as stipulated by the National Security Doctrine; that is, as a war against your own countrymen.

This war against communism, or as it is also called war against internal subversion, has already lasted more than 12 years. There are many Communists among the arrested, exiled, tortured, and murdered. But, also among these people there are many Socialists, members of the Movement of the Revolutionary Left /MIR, Radicals, Christian Democrats, people who belong to no party in particular, and even priests and laymen. The truth of the great German author Bertoldt Brecht's ideas is once again confirmed in the sense that repression, under a fascist regime, starts against the communists and until it gradually reaches all democratic and humanist currents.

The so-called war against communism has caused serious damage to the economy and society, to the living standards of the great majority of the population, to the education and health services, and to the people's psyche and morale. Therefore, the great majority of this country hopes for the end of this war and the military dictatorship that is waging it. This dictatorship now has hardly any support among civilians. Even the great majority of the rightist sector has joined the opposition or drifted away from the regime. Nowadays, there is a leftist, centrist, and rightist opposition that virtually reflects the entire national political spectrum. Moreover, within the armed forces, which have and continue to represent Pinochet's main support, disagreeing voices have been heard and the idea has emerged that the time has come to give way to a civilian democratic regime. Air Force Commander Gen Fernando Matthei has publicly voiced his support for a dialogue with those who have signed the so-called National Accord for the Transition to Full Democracy. It is quite obvious that Matthei is not alone. He expresses the way of thinking of the institution he heads. As you well know, there are even high-ranking officers in other branches of the armed forces who hold similar positions.

Don't you think the country is sick of this war that has already caused so many deaths, the banishment of thousands of people, and the destruction of most of the national economic apparatus?

How is it possible then to continue waving the flag of the so-called war against communism, which is repudiated by a great majority of the nation and which is questioned even within the military institutions?

General, in your 11 November speech you charged communism and particularly our party with being an enemy of the nation's sovereignty and of independence and with being an organization that responds to the Soviet Union's orders and interests. This is a lot of nonsense; it is merely a repetition of hollow phrases and cliches.

Obviously, you have a completely different idea of what patriotism is. According to the tone of your speech, to which we have been referring, your sense of patriotism is identified with imperialist interests. You uphold the Monroe Doctrine, which is identified with the motto "America for the Americans"--which in practice only applies to the U.S. imperialists--and you reassert your support of all treaties that tie us to U.S. imperialism. Therefore, we cannot but note that you, like other Chilean military officers, are under the influence of imperialist ideology. Otherwise, there is no reason for your attitude toward the communists, for your full support of the National Security doctrine, or for the tendentious references in your speech to Cuba and Nicaragua, brother countries bravely struggling for their independence and their right to self-determination.

We note with great sorrow that this blind support for the northern empire's interests prompted you to praise the Inter-American Reciprocal Assistance Treaty (TIAR) in your speech. Under this treaty, the entire continent agreed to confront any attack by an extracontinental power. But the attack, the Soviet attack, that was the excuse for the treaty never took place--and it will never take place. But the United Kingdom attacked Argentina in the

Malvinas Islands and the United States ignored the treaty and supported the extracontinental aggressor, Pinochet's dictatorship declared itself neutral. After all this, don't you think it is being servile to U.S. imperialism to continue defending the TIAR?

General, in your speech you defended the worst thing for Chile, the army, and the other military institutions. The worst thing, obviously, is the decision to continue the so-called war against communism.

This, if you can call it a war, is a dirty war against a helpless people. As a consequence of this war, the honor of the military has been seriously tarnished because neither the rules of war nor the most elementary rights and human dignities have been respected. In fact, hundreds of arrested people--including several women, many of whom were pregnant--have been murdered without having been brought to trial beforehand. These murders include many cases, such as in Calama, of people who have been tried and were serving arbitrary sentences. Is this the war you wish to continue waging?

General, this is not what Chile desires, and we believe that it is not what the great majority of the armed forces members desire.

Moreover, if you look at history, you will find that your point of view cannot have any positive outcome. No army, no matter how powerful, can defeat a country. It may impose itself for a short, medium or long time, but in the end it will be defeated, as was the most powerful army of the capitalist world, the U.S. Army, which with 500,000 soldiers was defeated in Vietnam and forced to withdraw. And facts have proven that those armies that wage wars against their fellow countrymen are even more vulnerable.

The communists and Chileans have not really been at war against the armed forces, but rather have resisted the persecution and attacks directed at them. They have tried to determine who has been responsible, in the first place Pinochet and his clique, that is, not generalizing nor indiscriminately blaming chiefs, officers, and soldiers, not even all the chiefs.

Those who have ordered and committed crimes, such as the aforementioned in Calama, represent a small minority that is trying to shelter itself behind the armed institutions, to involve them, and to obtain in all cases total and blind solidarity. But the truth is beginning to surface and the corrupt elements to be identified. In this regard, the fact that some of the retired officers should have contributed to clarify some facts and identify some of those responsible is healthy for the armed institutions. We are certain that if these examples are followed and, in any case, when an exhaustive investigation of this period is carried out, that what we have stated will be confirmed: Those who are stained with blood represent a very small minority. In Argentina, where the armed forces are numerically far larger than the Chilean, about 500 persons charged with criminal acts are being tried. The number of military men who have committed crimes and must appear before the courts of Chile is probably not much more.

We believe it is necessary that they should appear before the courts. It is necessary that all the truth be known and that the military institutions be purged of all torturers and murderers so that an all-encompassing reconciliation, especially between civilians and military men, can be achieved.

This is what we Communists uphold, and not the war you seek. Likewise, and with greater emphasis, we advocate the eradication of the disgraceful National Security Doctrine and its replacement with a new military doctrine imminently democratic in nature. Your speech before the recent conference of American armies only confirms the need to teach the Chilean Armed Forces not the Panamericanist concepts--thought up by U.S. imperialism and which only serve its own interests--but the new values of authentic patriotism, to recognize and uphold the best national traditions--starting with the heroic struggle of the Araucanians against the Spanish colonialists--to defend national sovereignty and to respect the people's sovereign will and the principles of brotherhood and Latin American solidarity advocated by Bolivar, San Martin, and O'Higgins. At this time these principles gain new strength in the face of the northern giant that is shamelessly interfering in the domestic affairs of our countries, that at present is threatening the glorious fatherlands of Sandino and Ruben Dario, and that is bleeding our people dry by looting a large quantity of our wealth through the burdens imposed by the foreign debt, the high interest rates charged for granting loans, and the low prices it pays for our exports.

In your speech, as well as in the remaining subjects discussed at the American armies conference, Marxism was harshly criticized as if it were an evil doctrine. The Soviet Union and other socialist countries were also criticized and given equally evil names. Moreover, you expressly lashed out against "unrestricted democracy and pluralism" and spoke in favor of the regimes of force that compel Marxism "to act clandestinely" because in that way "it will have greater difficulties to expand." The least that can be said in this regard is that you are against the majority of the people who are struggling for a democratic and pluralist regime and, regarding your insane anti-Marxist and anti-Soviet stance, that it upholds a cause with no future that was upheld by Hitler 50 years ago with the well-known results.

During the past few years the causes and authors of the war against the people have met resistance. Social combatants have appeared. They have come to the conclusion that it is necessary to confront the so-called war against communism--that is, state terrorism--even through armed violence. At the same time, self-defense organizations have been formed in towns and other places inspired by the same purpose.

These new types of combatants and organizations, which also resort to weapons, are not inspired or created by the Soviet Union or another socialist or capitalist country. They are created by the Chilean people, who have been compelled to do so by the situation they are experiencing and suffering. They have appeared and continue to appear in response to the fascist state terrorism.

Some believe that the country has entered an escalation of violence that threatens to drag it into a civil war. We Communists state: If we want to avoid this war--and we undoubtedly want to do so--an end must now be put to the regime's

violence and terrorism. An end must be put to the dictatorship as soon as possible. Otherwise, the situation will gradually worsen and the people's struggle against the tyranny will inevitably become more violent.

General, we Communists are and will continue to do our utmost so that the armed forces of our country will not continue supporting Pinochet or those, such as you, who are determined to continue forcing the country down the path of violence, terror, and death, of submission to imperialism, and the impoverishment of the people. We believe it is our duty to help the military institutions to free themselves from the quagmire they have been dragged into. Peace, and not war, should prevail between the people of Chile and the armed forces.

/Signed/ Political Commission. Chilean Communist Party.

/12228

CSO: 3348/327

CHILE

PN'S PEDRO CORREA ASSESSES RIGHTIST OPPOSITION

PY061604 Santiago CAUCE in Spanish 23-30 Dec 85 pp 14-17

[Interview with Pedro Correa, secretary general of the National Party, PN, by reporters Gustavo Boye and Eugenio Gonzalez; date and place not given]

[Text] [Question] Are the latest activities by Sergio Onofre Jarpa in La Serena and Rancagua aimed at dividing the PN and the MUN [National Union] and at forcing them out of the National Accord for Transition to Full Democracy?

[Correa] I believe the activities by Mr Jarpa are clearly aimed at creating a presidential alternative through which he may succeed Pinochet. He is using two different methods: In Rancagua, he proposed that the MUN and the PN unite and create the "United Nationals" movement. However, in La Serena he suggested the creation of a National Workers Front, a sort of people's nationalist organization. Many of those who attended the Rancagua meeting did not welcome this proposal.

Thus far, Jarpa does not seem to be on a definite course. He seems to be exploring the possibilities of obtaining support for a presidential nomination.

[Question] Can Jarpa influence the PN and MUN rank and file?

[Correa] We have talked with party leaders in the provinces, even with many of those who attended the Rancagua meeting, and we found that rightist sectors fervently want to unite. They cannot understand why the party executive boards maintain a division which they consider senseless. They are far from the decisionmaking level and far from the political life in Santiago. That is why they have failed to detect the differences that have initially separated the MUN and the PN. But those differences have been smoothed over. The two groups can no longer have differences in their programs, because they have both signed the National Accord. They should soon agree on a common line of thinking and on a common strategy.

Jarpa can temporarily exert influence on the rank and file, but his political background clearly shows that he is more inclined toward a national socialist, rather than a rightist position.

[Question] A Nazi position?

[Correa] I would not call it Nazi, but a populist nationalist position. I think I used the wrong word. In the 1940's he joined the national socialist ranks, whose ideology is different from the traditional ideology of the right. That is why I believe confusion prevails within the rank and file of the right, which advocates unity and which sees Jarpa as a factor of unity because he was the PN president during the Marxist regime.

Jarpa has a very broad political record. He founded and joined several nationalist parties in the 1940's and 1950's. He then supported Frei's candidacy. Before this, he presided over a "Democratic Improvement Committee," which advocated the abolition of the law for the defense of democracy, thus giving communists the chance to participate in the government. He also supported Arturo Matte.

That is, Jarpa had a changing political life, until he became PN president, at a time when he was the leader of a nationalist movement made up of liberal and conservative sectors.

He succeeded under the Marxist regime because the right then needed an aggressive leader. However, under the current government he dissolved the PN, although some leaders like Fernando Ochagavia opposed this decision on the grounds that the PN, like the Marxists and the Christian Democrats, who never complied with the political recess, should not disappear from the Chilean political spectrum.

Summing up, I believe that if Mr Jarpa really wants a united right he should try other methods, instead of his current personalistic approach.

[Question] Is Jarpa working for himself or for Pinochet?

[Correa] I believe that, as he told a Spanish political science expert, his bet is that if Pinochet does not run, he will launch his own candidacy. In this regard, I believe he must have reached a kind of agreement with the president, despite Jarpa's harsh criticism in the last rallies.

[Question] In your opinion, Jarpa is not an authentic representative of the right. Do you think he has supporters within the rank and file?

[Correa] I believe he still has many supporters. However, I believe that his influence will be only temporary and that it will last only until the true position of the two parties becomes known and until his own position and the support he may enjoy under a future democratic government become known. After 12 years of a personalist and authoritarian regime like that of General Pinochet, we are absolutely unlikely to welcome another personalist government, because it would be against our nature and it would not be in keeping with reality and with the country's possibilities. A leader without very strong support among the people and without organized political support would have to confront more terrorism and violence than Pinochet is now confronting. I see no chances at all for a government like that.

[Question] Do you think it is feasible to begin negotiations between the National Accord and the government?

[Correa] I believe it is feasible and indispensable. Democracy will not be restored without a civilian-military accord. In the absence of an accord, the alternative would be to meet the constitutional deadlines. Thus, we would have to wait until 1997 to have a fully democratic government under the terms of the current Constitution. The civilian-military accord calls for a constitutional amendment.

[Question] Do you believe that after 1989 it will be impossible to amend the Constitution without disrupting the institutional order?

[Correa] The Constitution must be amended, but we are very cautious on this issue, which is why I rejected the idea of including the convocation of a constitutional assembly in 1986 among the Accord's measures for immediate implementation. We believe that the government that will succeed Pinochet must be a democratic transition government based on a constitutional, political, and socioeconomic agreement. For this purpose, the signatories of the Accord must agree on the text of the constitution that must be in force during the transition government. A commission is already at work to formulate a minimum constitutional amendment, which introduces changes into the transition itself. This amendment will be submitted to the government. The commission will then formulate a broader amendment, which will remain in force during the transition period until 1997.

[Question] Do you believe the next step that the Accord must take is to devise a transition government formula?

[Correa] Yes. Both the PN and the MUN believe the Accord must be further elaborated. The Accord has been a very important tool that has greatly influenced the Armed Forces and that has been warmly welcomed by the people. Now we need a deeper and more elaborate document, a government plan that should be respected by whoever is elected the Chilean president.

[Question] Has the exclusion of the Communists and of the MDP [People's Democratic Movement] hindered the Accord's progress? Should these two groups remain outside a future government?

[Correa] In October 1984, in a document entitled "A Call for a Consensus," we reached an agreement with Gabriel Valdes, the president of the Democratic Alliance [AD] and of the Christian Democratic Party [PDC]. This document states that the Communists will be sanctioned for their conduct, but will not be excluded because of their ideas, as the PN had proposed. But, in no way can the Communist Party [PC] and the MDP participate in the next democratic government, because they have been declared unconstitutional by the Constitutional Tribunal an institution within the law?

[Question] Do they recognize the legitimacy of this Constitutional Tribunal?

[Correa] The juridical order cannot be divided in isolated sectors, although it can be modified or replaced. The juridical order was not discontinued when Pinochet replaced Allende, because a new order was created and the 1925 Constitution was replaced in 1980. We believe the acts emanating from the current institutional order must remain fully valid if they are not modified by the democratic government. The PC and the MDP are unconstitutional. This is why the alliances that some PDC sectors have formed with these two organizations have annoyed us. One of the Accord regulations establishes that the current juridical order must be respected. We believe it is very dangerous to subject the Accord, its validity, and the need to further develop it to an electoral contest.

[Question] What was the impact of the Accord on the Armed Forces?

[Correa] I am sure the Armed Forces are fully aware that there is a government alternative that can successfully replace Pinochet. The further we develop the Accord, the greater the influence it will have on the Armed Forces. Thus, Pinochet will be pressured by his own rank and file to amend the Constitution. It is important that the Armed Forces have publicly stated that their commitment with Pinochet does not go any further than 1989, as was specifically stated by General Fernando Matthei. I have confirmed this position in the talks I have held with many other Armed Forces members. This is the only thing they want. Low-ranking officers greatly desire to return to their traditional, strictly professional tasks. I believe the Armed Forces are exerting pressure at all levels.

[Question] How have the Chilean Armed Forces reacted to the prosecution of the military in Argentina?

[Correa] The Armed Forces are afraid of being submitted in the future to a political revanche, so to speak. However, the Accord has properly solved this issue by establishing that cases involving common crimes will be heard by the regular courts, something that top-ranking officers have accepted as proper and adequate. In addition, the political leaders displayed a generous attitude when they signed the Accord, thus proving that there is no spirit of revanchism in the Chilean process. To the extent that the Armed Forces refuse to engage in a dialogue, it will be more difficult to prove that this is true.

[Question] Has the Accord come to a standstill? Does the problem lie in the strategic difference between negotiation and mobilization?

[Correa] The Accord has come to a standstill because of the need to adopt a position toward the MDP and the PC, and because of difficulties affecting the dialogue with the government. The problem affecting the dialogue has been solved, because Cardinal Fresno's assistants will be received by the interior minister in the immediate future. We stressed that the Accord must be submitted to the president, to the Government Junta, and to the interior minister, but we were not heard. The existence of the Accord will be justified only to the extent that it promotes dialogue and a civilian-military consensus leading to a peaceful transition. The other alternative is a confrontation.

[Question] If Gabriel Valdes and Sergio Onofre Jarpa ran for president tomorrow in a free and secret election, who would be the winner?

[Correa] We should first know the position Jarpa will adopt. The right will never support him, although progovernment sectors will, if he displays a populist nationalist position. The united opposition is stronger than the sectors that support the government. If Jarpa displays a democratic attitude in line with the National Accord's line of thinking, I believe he stands a good chance of winning.

[Question] Taking Jarpa's political background into account, do you believe that he is likely to display such an attitude and that other major sectors will accept him?

[Correa] I think it will be very difficult.

[Question] There is another alternative: Pinochet against a single opposition candidate.

[Correa] I believe that if the opposition sponsors a moderate, centrist candidate, he will achieve an easy victory in a clean election where full access to the media and a broad public debate are allowed.

[Question] The PDC appears to be the largest political force. Would the PDC agree to an alternative government formula that is not headed by a PDC leader?

[Correa] The behavior of the PDC and its decisions have greatly hindered the search for solutions. Their political spectrum ranges from the extreme right to sectors bordering the PC, as a PDC leader has put it. Thus, the extreme left within the PDC strongly pressures party leaders to prevent them from making decisions that would be much more in line with PDC ideology.

[Question] Does the same thing happen at the other end?

[Correa] The pressure is weaker at the other end. This is precisely what happened during the Frei administration, which was led to a standstill and to failure. The PDC then lost two extreme leftist groups. The same thing is happening now, and it is seriously damaging Chile and the Accord.

I believe that the longer the PDC takes to choose a much more definite course of action and to clearly decide to seek an agreement with the centrist and rightist sectors in the search for a pluralistic and nonhegemonic government, the longer our efforts to build a successful and efficient democratic regime will be.

[Question] You want to engage in a dialogue with the Armed Forces. What would be your message to begin a possible dialogue?

[Correa] On 11 September 1973, the Armed Forces issued communique No 5 committing themselves to restoring democracy in as short a time as possible.

Twelve years later, it seems that this promise has not been fulfilled. There are indications that the Armed Forces now want to accelerate the institutionalization process, which the president opposes. Therefore, the president has taken upon himself more responsibilities than an Armed Forces commander in chief should. He has disregarded a scheme that he himself promised to respect. The current government may be trying to improve the economy in order to hand over power to a democratic government after the current economic crisis has been solved. However, to delay a decision on the dialogue on the basis of an improper political evaluation, far from solving the economic crisis, can aggravate the situation with violence and terrorism, which will be much stronger in 1986, and which could lead to a confrontation between those who are in power and the people, who do not have weapons.

[Question] Can the Armed Forces risk an electoral defeat with Pinochet running as their candidate?

[Correa] I deeply appreciate what the Armed Forces have done for Chile in the past and in the current government, and what they did on 11 September, when they acted to restore democracy in Chile. However, it is evident that if they risk an electoral defeat, they will also risk their prestige. This is why we should tirelessly search for a transition with a normal presidential succession.

/6091

CSO: 3348/332

CHILE

DI GIORGIO SEES PROSPECTS, CHALLENGES FOR 1986

PY041353 Santiago ANALISIS in Spanish 24-30 Dec 85 p 6

/Interview with Christian Democratic Party Vice President Jose Ruiz di Giorgio by unidentified reporter, "Less Than 24 Hours After Ruiz de Giorgio's Release From Jail"; place not given/

/Text/ /Reporter/ What do you think of the fact that after being imprisoned for 3 months, you were released without any restrictions?

Ruiz di Giorgio: It shows that Chilean courts work quite improperly and that no Chilean citizen can freely undertake the tasks or responsibilities given him by one sector of the people. It also shows that what party leaders have said from the very beginning, that our hands are clean, is absolutely true. To be unfairly imprisoned for almost 3 months has been particularly positive for me, because oil workers, the people in general, and the Magallanes people in particular have given me their full support.

/Reporter/ Now that you are free, would you prefer to be a political or a labor leader?

Ruiz di Giorgio: To me, these are two closely related activities. I am serving the people in different ways, as a politician, as a labor leader, and as Christian who works within the structure established by the church.

/Reporter/ As the year nears its end, what is your evaluation of the activities of the National Workers Command, CNT, taking into account that one of its leaders is still in jail and that several other CNT leaders were subject to long imprisonment?

Ruiz di Giorgio: I believe this shows that the CNT represents the country's most significant social group and that it has suffered the most violent blows of the dictatorship's rage. The fact that several CNT leaders, including its president, have been jailed reveals that our organization is on the right course. If an organization or its people are the target of repression under circumstances like those now prevailing in our country, it is because they are doing the right thing.

/Reporter/ Some people believe your party has only weakly supported you during your imprisonment, taking into account that you are the vice president....

Ruiz di Giorgio: I have a very simple answer to that. I was in jail and so were the CNT president, and the vice president of the city residents' coordinating board. Santiago was not set ablaze and I did not see strikes or barricades. However, I was visited by practically all the rank-and-file sectors from the areas near Santiago of my party. There were people fasting and standing vigil. Party leaders were present at all the actions that political leaders can attend. We do not have weapons and we could not oust the government when I was detained.

/Reporter/ You and some Communist militants were jailed on the same charges leveled by the government. Your party has permanently refused to reach an agreement with the Communist Party, PC. After this experience, what do you think of the possibility of reaching an accord with the PC for struggling against the dictatorship?

Ruiz di Giorgio: In jail there are no problems, because the Communists do not speak about violence and they do not cause problems that might obstruct the work to achieve unity. The problem begins when the people start delivering speeches. One of the factors most seriously hindering the possibility of reaching an accord among Chileans is the politicians' daily urge to deliver speeches and make statements on several issues, while doing actually very little. Some speak about violence, but they actually say that they are engaged in violence. Others, even though claiming to be at the service of the people and the workers, are actually very far from the neighborhoods and from the labor movement. Rather than speeches, what we need is coordinated action. All parties must understand that we are living under a dictatorship, that this is no time for speeches, and that this is the time for joint action based on our real situation.

/Reporter/ In your opinion, what are the challenges the opposition will face in 1986?

Ruiz di Giorgio: Taking into account the manner in which the dictatorship has developed, I believe the perpetuation of General Pinochet in power and the possibility of introducing a major political change leading to democracy will to a considerable extent depend on events in 1986. I believe there are clear indications that the church itself has realized that 1986 must be a year of major definitions, because the pope has postponed his visit to Chile until 1987. In 1986, we have to introduce the necessary changes to find an orderly, peaceful, and civilized transition to democracy.

/Reporter/ And what will be the challenge for workers in 1986? Will it be a strike?

Ruiz di Giorgio: I believe a strike must be staged in 1986. Without a strike there will be a violent confrontation in our country. The only way to avoid confrontation is to paralyze the country.

/12228

CSO: 3348/327

CHILE

LIBERAL PARTY'S URETA DISCUSSES ANTISUBVERSIVE STRUGGLE

PY040220 Santiago HOY in Spanish 23-29 Dec 85 p 10

/From the "Opinion" column: "The Regime and the Failure of the Antisubversive Campaign" by Gaston Ureta, lawyer and president of the Liberal Party/

/Text/ According to Andres Pascal Allende's confession published in the newspaper EL MERCURIO--and I believe he has not lied but spoken seriously--there has long been leftist terrorism in Chile. Not everything that goes on in the country is done by the National Intelligence Center /CNI/, but some of the bombs that are thrown, mainly those against Carabineros, are thrown by an extremist faction opposing the government.

We can thus affirm that there exists an organized subversive activity in Chile that is increasing rapidly.

This is a very important technical point, and expect an evaluation from within the armed forces.

It is indispensable that the "National Security" doctrine be abandoned because it is irrational from beginning to end. To say "my struggle is to eliminate Marxism, and as long as it exists my presence in power is justified," is to express a purpose that is not in keeping with historic reality. We may be ruled by a General Pinochet now and 20 others like him, yet they will not succeed in eliminating Marxism. What is possible and probable is that the government's relentless defense of the National Security doctrine will lead us head on into a final victory for a Marxist revolution, then, that from which the government tried to save us will have won.

As civilized people, we believe that Marxists should not be persecuted, or imprisoned, much less killed. Politics has nothing to do with savagery. The challenge consists in fighting democratically to prevent the opposition from coming into power; this means that the vices and injustices of societies that prevent men from being free, even under strictly Western regimes, must be eliminated. We believe that this is what U.S. Ambassador Barnes meant when he said: "In order to fight the evils of democracy, more democracy must be given."

Therefore, antisubversive struggle is dangerous because it may fail, this is possible since the antisubversive struggle is always unpopular when it is exercised by a dictatorship.

A regime that has become degraded by violating human rights may be attacked with all sorts of blows under the belt without arousing anyone's sympathy. An anti-insurrection campaign is not effective if it is not supported by the people. Thus, we consider that the interior minister's requests that the people denounce those who commit terrorist attacks and disturb public order will be unsuccessful. Instead, a civilian and democratic government, installed after totally free elections, will be able to control successfully any type of extremist guerrilla.

This is why we say that there is a military-technical reason, involving the very safety of the armed forces themselves, for not allowing the current government to last beyond 1989.

/12228

CSO: 3348/327

CHILE

PAPER VIEWS 'JARPA OPERATION'

PY041437 Santiago HOY in Spanish 23-29 Dec 85 pp 6, 7, 8

/Article by Ascanio Cavallo/

/Excerpts/ At 64, Sergio Onofre Jarpa Reyes has already joined six parties, dissolved two, created four, and promoted one. And the way things are developing, before turning 65 in March, he will have entered two more political groups--the United Nationals Movement /MNU/ and the National Labor Front /FNT/ /Frente Nacional del Trabajo/--into his long party record.

This is not the best of "records" /in English/ for a man who has built his career on an apolitical stand and who is now advocating unity within the right.

Vehement, strong, and impressive, the right still considers Jarpa a "tank," a "big dog," a "locomotive" of such dimension that no obstacle could possibly stop him. Yet his most outstanding trait is an intense and passionate sense of contradiction. It is his inner nature.

Some critics describe Jarpa's ideological profile as follows: He is deeply concerned about the stability of parties, but he never remained in one for more than 7 years. Even though there are four groups which were under his direct influence in the past, he strongly opposes political dispersion. He insists on the need to approve a law regulating political party activities, but he supported petition with 150,000 signatures that last year froze discussions on the law.

He wants Marxist groups outlawed, but in the 1950's he voted for the abolition of the law for the Defense of Democracy. He detests the Christian Democratic Party, DC, although in 1958 he voted for Frei--and against Alessandri--something he repeated in 1964. He complains about the lack of laws allowing political activity, yet only repressive amendments to the State Security law were approved during his tensure as interior minister.

"There are so many thousands of unemployed workers!" he complained in La Serena. Yet it was during his term as interior minister, in August 1984, that the urban unemployment rate reached unprecedented levels. He claims he does not have confidence in individual leaders but in teams, yet he has no teams and acts like a lonely, charismatic leader. He wants to defend "basic things," but he has rejected the National Accord for the Transition to Full Democracy because he believes it lacks specific details.

On 7 December, while addressing some 200 representatives of rightist sectors of Cachapoal Province at the Rancagua auditorium, Jarpa took the first public step to launch a campaign against the PN /National Party/ and the National Union. This was several months in the making.

The two parties in which he invested years of political capital thus became targets to be destroyed. It is his inner nature, his critics say.

But this time, there is something else. As a leader has put it, "the survival of the right is at stake, and this affects the future stability of the country."

Jarpa has not failed to understand this. On the contrary, his closest assistants say he is so well aware of the influence of his actions that he is now involved in something bigger, a political reformulation effort directed at all sectors, particularly the DC and the left.

Convinced that he can play a major role in the centrist sector--he dislikes the concept of "right"--and being a fervent supporter of the theory that major public opinion movements are not driven by ideological forces but by internal feelings and impulse, Jarpa is aiming at 1989.

But not necessarily because he wants to offer an alternative candidacy, other than that of Pinochet, but rather because he wants to be the "supplemental option." In a conversation with HOY, sources close to Jarpa stressed that the former minister has mentioned the events in 1989 only to point out that a plebiscite entails a risk for the armed forces. The sources gave assurances that in no way will Jarpa run against Pinochet (there are some variations in this regard, because he can oppose the economic policy, which he has caustically criticized) and that if by the end of the decade Jarpa believes that Pinochet is the only possibility of defeating the opposition, he will support the current president.

If the opposite happens, the sources added, if the armed forces conclude that it is better to find a civilian, Jarpa will be there...out of loyalty. There is something else: Only a man like Jarpa could offer Pinochet "the leading post," that the latter wants, that is, to remain as army commander in chief or to be appointed as the head of the National Security Council.

Jarpa is unlikely to decide to resolutely lead the MNU of the 6th region, because of his experience with the National Union. This explains why he delivered the central speech at a ceremony on 13 December, when the FNT was created. In his own words, the FNT is a "project with political projection, although it is not political in the usual party sense."

There is more confirming the differences between both groups. The MNU invited rightist leaders like Sergio Diez and Mario Rios, a former PN vice president, through a message that explicitly advocated unity within the party. When these two leaders asked what was happening in La Serena, they found out that they were not invited. In Norte Chico, the organization was structured on the basis of unions.

Many of those who attended the meetings in La Serena and Rancagua, and many of those who will probably go to Chillan this week for the third public act of the "Jarpa operation," believe that Jarpa has secured two things: influence over and respect from the armed forces, and capacity to operate within the government.

The armed forces' sectors closest to Pinochet actually appreciate Jarpa's loyalty. Some, like the "intelligence community," recall him with gratitude. In fact, Universal Import-export Limitada, a firm with which Jarpa was associated, greatly helped intelligence agencies, like the DINA /National Intelligence Directorate--now defunct/, buy equipment that was not easy to purchase (transmitters, wireless microphones, revolvers, high-sensitivity earphones).

Jarpa maintains close, yet ambiguous relations with the government. One of the men close to him, Interior Undersecretary Alberto Cardemil, is now one of Pinochet's most trusted officials. Government house sources say that Cardemil respects and remains loyal to both Pinochet and Jarpa and that in the political area, Cardemil may act as middleman in the relations between Pinochet and the former minister.

This is the point at which the "Jarpa operation" best matches the government attitude and the objective of destroying the National Accord.

The sequence of events is as follows: Jarpa declares that the right cannot join the opposition sectors that do not recognize the government and its institutions. This argument will weaken the PN and the National Union, which will be forced to ask the government to negotiate in order to show that the National Accord is feasible. The government, which will feel stronger because of this artificial dispute, will take a strong stand and suggest that there can be no dialogue without preconditions. And the preconditions will be precisely those expressed through Jarpa.

A few days ago, the PN asked for an audience with Interior Minister Ricardo Garcia Rodriguez. Even though the audience was granted, the minister categorically stated: "I have no authorization" to talk about the Accord.

Unlike the interior minister, Cardemil can refer to the Accord.

The official rejection of the Accord is supplemental to the "Jarpa operation" in that by undermining the position of the rightist sectors within the Accord, the Accord's stability will be shaken.

The day before their meeting with Cardemil, the coordinators of the Accord answered a National Union letter in which this organization asked for explanatory details on the possibility of using the Accord as a negotiating tool and on the electoral pacts.

Molina, Zabala, and Fernando Leniz unequivocally replied that "we agree" that the objective of the Accord is to seek agreement with the regime. They went even further: They corrected the difference between the government and the armed forces, and proposed to talk about the government of the armed forces.

As for the electoral pacts, they recalled that the issue was not discussed during previous Accord sessions, pointing out that in their opinion, the pacts with totalitarian groups that advocate violence would violate the spirit of the Accord only if such pacts "are essentially political in nature."

The regime's unwillingness even to agree to the possibility of negotiating has frustrated the efforts by rightist sectors. But beyond that, this unwillingness gives artificial validity to the proposals that Jarpa, a man who plays such a significant role, may offer as an alternative to the PN and the National Union.

This is not really a closely coordinated action. There are just "common interests," in which a middleman (Cardemil) can act between the phase of political weakening of the right at the hands of the government and the phase of weakening Jarpa's prestige in the eyes of rightist sectors.

The other opposition sectors have few chances to act. They will have to base their strategy on other parameters, something they have already started doing.

There is also a double-edged game in the "Jarpa operation." The PN and the National Union believe that in his current situation, Jarpa will be unable to exercise any influence within the party's rank-and-file youth, who are the basis for the "political renewal" project of the right.

Jarpa does not seem to be able to spread his influence over a large area. A PN leader has said: "We will stop him in San Carlos." For its part, the National Union is sure that its major regional leaders will not be shaken by the former minister's stampede.

From the viewpoint of the political program, even some of Jarpa's closest assistants have voiced concern over the vagueness and the structuring of the FNT. They say that if the FNT is structured as an organization made up of several groups, it will be under the same kind of irresistible pressure that appeared at the Socioeconomic Council.

In this case, Jarpa will have made another mistake. But he will try again, because there is no logic in one's inner nature.

/12228

CSO: 3348/327

CHILE

MUN'S ALLAMAND SAYS PDC MOST IMPORTANT NATIONAL PARTY

Santiago COSAS in Spanish 28 Nov 85 pp 92-94

[Interview with National Union President Andres Allamand by Angelica Arndt; date and place not given]

[Text] "I continue to think that the government does not even have a real desire to explore the excellent possibilities the National Agreement text offers it."

Is this political realism? Without a doubt! And it is something surprising when one hears certain statements by the dynamic highest leader of the UN [National Union]. "The MDP [Popular Democratic Movement]? It does not even need propaganda, because the government provides it for free every day, with its primitive anticommunism. This is plain."

He met with me early one Saturday morning. He has a welcoming home, an attractive wife, two enchanting little blond children and a shaggy and apparently spoiled dog. It is the perfect family picture to fill out the "renewal" image provided by this young National Union leader in the midst of a splintered and somewhat ossified right wing.

As a good lawyer, he does not lack for arguments, and as a politician who is now a veteran, he is also convincing.

The only thing that would identify him as the "political godchild" of former minister Jarpa, which many claim that he is, is the occasional freewheeling expression, such as that he used in speaking of the university problem. "There is no justification for maintaining this kind of compartment, which in 3 more years will collapse at the lash of a whip."

[Question] The National Union defines itself as a movement which is not in opposition to the government, but "independent." Can you explain to me in terms of facts what this "independence" means?

[Answer] The independence is expressed in a critical position as to how the government is managing the political development of the country. We are advocates of a complex of constitutional reforms and of proceeding toward 1989 in a way very different from that the government wants.

[Question] And will the National Union, as a party, resign itself to petitioning for things which a government to which you continue to show loyalty is absolutely unwilling to hear of?

[Answer] We will not resign ourselves. Our loyalty now cannot be presumed to be unconditional, which is another evidence of our independence.

[Question] What is your line of action at this time?

[Answer] We believe that given a picture as unusual and atypical as this is, it is basic to exhaust every possibility for reasonable understanding among the government, the Armed Forces, and the civilian population. It is curious to note that the government has undertaken some maneuvers which I would prefer not to describe in an effort to diminish us or to blur our real position. However, we are a rightist group, the only one to carry through in the university elections, and still here, on the field, defending a position of this sort for the future. I ask myself if all the high and mighty anticommunists who criticize us so lightly and so vehemently are defending their principles. Where are their national organizations? It is very clear to me that this position is difficult, and involves lack of understanding. We are subject to the crossfire between the people who still feel very comfortable under the government umbrella, and the opponents, on the other hand, who wanted to have a complacent right wing, doing exactly what the Christian democrats want. And in the Democratic Alliance, without any pejorative connotation, this is absolutely true. The Christian democrats are going to have to begin now to deal with a serious right wing.

[Question] If the opposition has in fact recognized the existing institutional system, although obviously it may propose changes, and if it rejects violent actions and maintains the need to advance toward the future "hand in hand" with the Armed Forces, consistent with the speech delivered by Gabriel Valdes in O'Higgins Park, who has yielded the most, to date--the government or the opposition?

[Answer] But without a doubt, the opposition.

[Question] What steps has the government taken which may clearly indicate a desire to make progress?

[Answer] Very few, or almost none. Let us state clearly, if we want to speak of the present and on the basis of the important political event represented by the National Agreement, and I have no doubt about this, that in order to subscribe to this document the opposition sectors had to abandon many of their demands. They were really rather generous with respect to what their earlier positions had been. The government responded to this attitude with an intransigence identical to that it had maintained before. This does not mean that on the basis of this intransigence, which moreover was rather predictable, knowing the nature of the regime, some of the sectors subscribing to the National Agreement intend today to distort its genuine meaning, purpose or text. And what has happened? All of the reconciliation efforts encouraged by Monsignor Fresno is being dissipated because this country has returned to

what it was between 1983 and 1985, when it was caught between the extreme positions of a stubborn government and an obdurate opposition which made reasonable political solutions impossible.

[Question] But we see that one of these parties has developed, and if the government is not giving any indications now of being willing to accept any initiative designed to lead to some form of dialogue to talk things over, what levels remain?

[Answer] The basic level remains, which is negotiation and talks with the government, between those same persons who at a given moment endorsed the text of the National Agreement and the government itself.

Collective Schizophrenia

[Question] Do you believe that the president of the republic is willing to talk with these opponents whom he has just attacked verbally, speaking of the O'Higgins Park gathering?

[Answer] Indeed, with the half of those present in the park who support violent and totalitarian positions, I do not want any connection either! And this was one of the problems which led us to send a letter to those who coordinated Monsignor Fresno's undertaking. Because an important sector of those who subscribed to the National Agreement had dismissed in advance any possibility of talks or agreement with the government, and are seeking to convert this text, created with a view to agreement with the authorities, into a tool of confrontation with them. As a result, German Correa, head of the MDP, who was one of those present at the gathering, now says that "the meeting in the park showed that there is no real democratic alternative possible through dialogue or compromise with the regime, nor within the constitutional framework it has imposed." Now let us go back: you yourself said recently that the change in the opposition is reflected in the fact that there has now been recognition of the institutional system and a desire to reach agreement, while this gentleman now maintains that the conclusion to be derived from the meeting is precisely the reverse of that set forth in the Agreement. We have, then, a kind of collective schizophrenia.

What Kind of Democracy?

[Question] But the citizens need, on the other hand, to express what they want to the authorities, and in this case, the message was "democracy now."

[Answer] The gathering in the park, we have said from the very first, is the most mistaken signal which could be sent to the government if the purpose is to reach agreement with it. On 13 October 1985, in connection with the 50-year anniversary of the Falange, Gabriel Valdes came out clearly and categorically against the Communist Party, speaking of "irreconcilable differences concerning its model of society, its practical philosophical concept, the rights of man and the function of the state." He said further: "At this period in our history, I have denounced the strategy of violence as incompatible with the struggle to achieve a true democracy." If then, on 13 October, the president of the Democratic Alliance said that he differs in

irreconcilable fashion with the Communist Party, simultaneously denouncing the violent framework that party proposes as incompatible with the pursuit of the democratic path, and if on 21 November he participates, jointly with that same Communist Party, in the organization and coordination of an opposition gathering to demand democracy--I ask you, then, what kind of democracy was being demanded in the park? That of Mr Valdes or that of the MDP? For if it is the latter, that is the same democracy Mr Valdes rejected categorically in his speech of just one month ago. On the other hand, I cannot honestly understand how if a document was signed in August, explicitly rejecting violence, whatever its source, wherein the signatories commit themselves solemnly to adapt their conduct, among other things, to that basic principle, how the Democratic Alliance can justify the strategy of the MDP in participating in an opposition action. There is a problem of inconsistency here. Frankly, I cannot believe that the Christian democrats on the base level can feel comfortable singing the national anthem with people whose fists are raised and who are waving the banners of the MIR [Movement of the Revolutionary Left], and who are the "first cousins" of the people who killed Perez Zujovic. Now I ask you, on the other hand, how does the speech by Mr Valdes contribute to reaching understanding? The problem in Chile nowadays is to find a formula for understanding between the civilian population and the government, and the address by Gabriel Valdes contributed nothing to this, but on the contrary, made it more difficult. The National Agreement has now been made extremely vulnerable to frustration because of the stubbornness of the government, which cannot see any possibility of approving it, and, in turn, because of the violations of the text and the spirit of the Agreement by some of those who endorsed it.

[Question] But on the other hand, there is another factor to be taken into account. If Mr Valdes made the statements to which you refer, the MDP knew very well that it was attending a meeting of a group which does not identify with the principles of violence. What is the problem, then, if there were present there those who will have no possibility of winning any political space for their methods?

[Answer] The first thing which must be done is to avoid legitimizing the strategy they urge. No one can prevent them from attending a gathering, but what can indeed be done and is not being done is to avoid coordination and agreement on participation with this same MDP, as well as avoiding coexistence with it in the rest of the political struggles in progress in the country.

[Question] Are you referring to the FECh [Student Federation of Chile]?

[Answer] To the university elections. Then where are we? It is very poor consolation that the children of the MDP conducted themselves well, so to speak, in the park, while the MDP itself is stating daily in the press that it would be the most naive attitude ever to ask them to reject the path of violence, among other things because of the type of society to which they aspire. Those in the Communist Party are very clear about the fact that to the extent that the defeat of the dictatorship is violent, the outcome, as they themselves say, will be a "progressive society moving toward socialism." This means a transition from one authoritarian regime to an authoritarian

regime of the opposite sort. This is the tactic of the Communist Party, and they say so every day.

Transition Steps

[Question] You say that the government has not made any political move at this time to deal with the current situation. What would you do if you were in the government?

[Answer] The first thing it would be necessary to do, because nothing justifies failing to do it, is immediately to legalize the status of the political parties, because basically this would serve to put order into the confused picture which exists and it would facilitate the dialogue between the government and the political parties, as well as between the political parties and the citizens. The second thing I would do would be immediately to launch the whole process of inscription on the voting registers, because what needs to be done later will necessarily require a plebiscite, consistent with the temporary constitutional norms. The third thing I would do immediately would be to expand the range of civil and political liberties for the citizens. I believe that the restrictions being imposed upon the press today, the states of emergency, the maintenance of exile, and the application of Temporary Article 24--in a word, this whole complex of things prevents a political debate which should be carried out on the proper level. These are the three things I would do immediately, because they do not require constitutional amendment of any kind. Later, I would implement constitutional reform, which should at least contain certain elements. First, a change in the current norms governing amendment of the constitution, and on this there is an absolute consensus in almost all sectors, including the UDI. This would facilitate things for those who have been critical of the constitution, since the possibility of amending it in a future congress would thus be definitively established. This would be a great factor in releasing pressure. And I would make a serious study of the possibility of changing the constitutional norms on communal organization, administration and government. In this connection there is a very entangled system. I honestly believe that the system of CODECOS [Community Development Councils] and COREDES [Regional Development Councils] has very little functional capacity in practice. There is a potential here for initiating a process of real democratization, and not the pseudocorporativist democratization which that of the CODECOS and COREDES would seem to be. A third specific thing which could be done, although we are working against time, is to install the national congress early, since this could offer many advantages. The institutional system of the country could take on greater legitimacy if, so to speak, the defects in it were corrected and if it were implemented with the support, agreement and participation of the citizens as expressed in this congress.

[Question] And what about the form established for the presidential succession?

[Answer] It would also be necessary to change the norms for the presidential succession, without a doubt. This is basic, and it must be understood that in the transition, the country must proceed forward consistently on all levels.

[Question] A large majority of the citizens of Chile want this, but many believe that the government, with its strategy, would like to reach the year 1989 in this state of "institutional lack of definition," in order to stay in office until 1997, as the sole alternative to chaos.

[Answer] From every indication, this has been true up to the present, with the government wanting to reach the year 1989 in a position to offer the country the definitive choice between its perpetuation, more or less concealed, or chaos. And I am convinced of this: all of the signals to be seen today point in this direction. It is for the same reason that the responsibility of the political leaders is much greater now, because it is necessary to avoid this false alternative, and to be capable of developing moderate alternatives in this country.

[Question] But to speak more concretely yet about the Agreement now, do you still have hopes of being able to rescue this undertaking?

[Answer] The situation is obviously difficult because of the later development experienced by the Agreement. Now I assign great importance to the steps Sergio Molina, Fernando Leniz and Jose Zabala will take. They have acted not only on the initiative, but with the absolute and direct support of the cardinal, and therefore I am certain that neither Monsignor Fresno nor the church will support the perversion or distortion of the text and the genuine spirit with which this initiative toward reconciliation among Chileans was begun. Thus far we have been playing the uncomfortable and difficult role of "policeman of the Agreement," as some have said to us here perhaps, I do not know, because they feel somewhat defensive because of the way in which they have acted. We have calmly stood firm on what the original purpose of the Agreement was, and we will continue to do so while it works out.

With or Without the Christian Democrats

[Question] Just as the general situation in the country indicates that civilian-military dialogue is essential in order to have a fluid solution, is there any possibility of agreement on a solution without the participation of the Christian democrats?

[Answer] It seems very improbable, at least without a major sector of that party's members.

[Question] There are people who do not identify with what they regard as "aggressive," statements by Gabriel Valdes, but in fact the Christian democrats as a party must be taken into account, and there are many who believe that the government is trying to corral it, rather than attack it. Is it not thereby making it much more difficult for this party to move closer to talks with it or to develop a more favorable attitude?

[Answer] The Christian democrats should not let themselves be influenced either by pressures from the Marxist left or those from the government. This party bears a tremendous responsibility, because it is the largest or most important Chilean democratic party. And for this same reason, it must necessarily define itself not in words, but in deeds and in action.

[Question] What indications have you received from the Christian Democratic Party on the basis of the talks you have had with its leaders?

[Answer] I get mixed signals, differing among the various sectors, but in a spirit of justice I must also say that I perceive great party loyalty.

Apolitical Armed Forces

[Question] Now you said on one occasion that "there are those who are seeking to use the Armed Forces as a shield for their own plans, and to obtain through them what they could never achieve in the free play of democracy." To whom were you referring there?

[Answer] I was referring basically to all of those political sectors which in one way or another are attempting to impose their own points of view on the citizenry, using the Armed Forces and committing them to their own political positions. Identifying individuals is the task of the country, which is well aware of who it is to whom I am referring. I believe that the Armed Forces, first of all, has a role which is obviously not political. They are going to have a place in the institutional future, of this there can be no doubt. The existence in the past of what have been separate compartments is something which must be changed in the future. But our concept of the Armed Forces is a basically institutional and professional concept, since they are the guarantors of the institutional system adopted by the country. But I do not believe that the continued assumption of political commitments by the Armed Forces is possible for democratic life, nor for the institutional life of the Armed Forces themselves either.

[Question] Do you note dissension within the junta with regard to the transition? For while President Pinochet discredits the Agreement Plan, on the one hand, the other members of the Junta see it as a solution "which should not be excluded."

[Answer] Given the little knowledge one has of the way in which things develop at the top of the government military command, there can be no doubt that the president of the republic is the one who seems most opposed to the text of the Agreement.

It is obvious that the assessments of General Matthei and Admiral Merino himself, and even General Stange, concerning the Agreement differ substantially from those of General Pinochet. Now this is another of the factors in judgment which should be assessed by the signatories of the Agreement, who at the present time have put themselves in a position inconsistent with what they endorsed, because among other things, I insist, the constitutional reforms which are necessary require a first stage, which is that of understanding with the political authorities, with the executive branch, according to the path indicated by General Matthei. But later, when it is necessary to implement this reform, it will also be necessary to have the agreement of the Armed Forces, which are represented at present in the Ruling Junta. As a result it is doubtless auspicious that at a given moment

the members of the legislative branch indicated that they view the undertaking favorably.

[Question] To what point is it useful to continue defending what seems to have become indefensible, if the government continues in its immovable position?

[Answer] But the fact is that we are not building a party for 2 or 4 years, nor to support or oust the government. We are building a party for the future of the country, with regard to which this government is a major accident, but nonetheless an accident, and one which moreover has a preestablished end in time, the year 1989.

[Question] In this connection do you not agree with the minister and secretary general of government as to the "projection" of this regime?

[Answer] I do not yet know exactly what Minister Cuadra meant to say, but in any case his statements can be interpreted in different ways. To me two things are very clear. In 1989, both the government of the Armed Forces and one of the political regimes established by the 1980 constitution will come to an end. Thus in 1989, there will, constitutionally, be a change of government, but there will also be a change of political regime, which is what concerns me, since there is no intermediary level to allow a smooth transition from the authoritarian regime to a democratic one.

[Question] Now don't you fear that this country may reach a point of violent upheaval?

[Answer] I see it is a possibility which should in no case be underestimated, a worrisome and threatening one.

5157

CSO: 3348/264

CHILE

USEC SPONSORS DIALOGUE BETWEEN LABOR, MANAGEMENT GROUPS

Santiago QUE PASA in Spanish 21 Nov 85 pp 14-15

[Article by Ximena Barros]

[Text] A telephone call made by some labor leaders more than a year ago was the first step. Their concerns, as to what will happen to the workers and businessmen in 1989, found an echo in other sectors. And thus it was that the very little publicized social agreement movement began to take flight. Organized by the Social Union of Christian Businessmen (USEC), numerous meetings attended by businessmen and workers representing the most widely varied sectors and political hues have been held. What was accomplished? A very great deal, according to those involved, in terms of the honesty of the dialogue, the confidence characteristic of the dealings, and the possibility of talks between persons with totally different opinions. And it was this same atmosphere which in some cases led to the statement of the most extreme suggestions, such as an immediate end to the present government. However, it was the more balanced views which in the long run prevailed. For the idea is to talk, to discuss, to understand the points of difference and agreement, "and thus to be able to establish norms of coexistence for future periods in which situations of conflict may arise," businessman Eugenio Heiremans said.

And all of this with the idea of facilitating matters for the next government, "because the less confrontation there is in the situation," as Edgardo Boeninger of the Development Studies Center (CED) emphasized, "the greater the possibilities the democratic regime established will have of achieving development and social peace."

Knowing the Terrain

To these meetings were added the activities organized by the CED, which coordinated a trip by businessmen, workers and academicians to see the "living reality" of Spanish and Italian social agreement. And the fact is that the European experience is enlightening. According to business lawyer Alvaro Pizarro, "the Europeans have realized that they have to talk at the table, and not in the streets." This is a dialogue which loomed on the horizon after the instability created by the ideological and social conflicts resulting from World War II. Now some countries appear as models. For example, in Austria, the worker-businessman-government agreements are the product of a system based

on regular consultations and discussions. Economist Ernesto Tironi says the following: "In practice, many laws affecting the economic sector are discussed, worked on and approved in joint committees before they go to the parliament. This system of making decisions depoliticizes the discussion of many subjects and deconcentrates decisions from the peak of government power."

In the case of Spain, the most recent talks resulted in the Economic and Social Agreement, in which the first postulate refers to the need to increase employment by generating an atmosphere favorable to the achievement of this goal. This is the reason for the approval of a series of agreements between the workers and the employers, with the government arbitrating. Among the agreements is that calling for wage adjustability to the extent of 100 percent of inflation, and tax reduction when sales drop. The agreement also refers to productivity and investment. All these are measures which benefit both sectors equally, and which have as their goal to create an awareness of the urgent need to safeguard the economy of the country on all levels.

Past Errors

Without a doubt the realities there are very different from ours, but the experience remains valid. In fact, what was seen in Europe aided the Chilean travelers in becoming aware of how necessary and possible a social accord in our country, where this experiment has never been tried, is. Above all because the agreement which can be reached on the ideological level lose their effectiveness if they are not paralleled in socioeconomic life. In the view of political scientist Juan Yrarrazaval, ensuring tranquility in the socioeconomic sector is a way of preventing the political polarization of a country. "When there is socioeconomic harmony," he says, "the extreme positions fall into the void, which contributes to the stability of a democracy." This is an accord which cannot be exclusive, and which must develop among representative organizations which are strong and democratic within themselves.

The opposite of social agreement is the anti-imperialist preaching of communism, with constant demands which never lead to agreement. And it is precisely this situation which, in the judgment of Yrarrazaval, Chile experienced between 1960 and 1973. The most critical point occurred during the Popular Unity government. At that time the country went through a stage of violence and "truly traumatic confrontation, due to the political maneuvering into which the trade union organizations lapsed. Currently there is both in the business sector and in the labor world a clear awareness concerning this. "We recognize that in the past, strikes were often used irresponsibly, and we do not advocate falling into the same error again," trade union leader Eduardo Rios said at a CED seminar. "Illegal strikes," he explained, "should be excluded from democratic coexistence, because they erode it, and in the final analysis they serve the interests of the partisans of other kinds of regimes."

However, despite the obvious readiness for dialogue--"there are proposals by some businessmen which seem reasonable to us workers, however far they may be from what we would like ideally," one leader notes--differences continue to exist. The most polemic subjects include strikes, wage adjustments, the power

and representative aspects of labor organizations, and forms of negotiations. The concerns of the workers also include the development of mechanisms to encourage employment and increased investment in enterprises. However, Eugenio Heiremans explains that "to some degree, the lack of guarantees felt by the workers today is not the result of legal changes, but of a higher than normal level of unemployment.

"There is an awareness of current difficulties in exercising certain rights," this businessman explains, "which although they have not been eliminated, are by virtue of the present situation relative."

Within this framework, the talks between the two sectors were planned with the idea of "defining the rules for continuing to play the game rather than abandoning it." Thus far there have been no halfway compromises, nor is it a question of setting forth a "minilist" of demands. "These are large ideas," according to Alvaro Pizarro, "which affect the entire country." Thus what will be attempted in the future is to make this social accord concrete through agreements, conventions and legal changes which will guarantee proper coexistence. The interest is there. What is lacking is the third actor necessary for effective social agreement--the government. Its task would be to arbitrate the compromises, supervise them and provide the information it has on production goals and growth, among others. To date it has had nothing to say. However, according to one source, the contact between businessmen and labor leaders of various political persuasions has caused a certain irritation in some government sectors. Nonetheless, there are also said to be some ministers of state interested in the subject and in its importance to the future of Chile.

Participants in the Agreement

Businessmen: Ignacio Cousino, Jorge Fontaine, Fuad Garib, Eugenio Heiremans, Fernando Leniz, Eliodoro Matte, Jose Moreno, Jose Zabala, Arturo Mackenna, and Gustavo Vicuna.

Trade union leaders: Humberto Barrera, director, Trade Union No 3, Sewell and Mina; Pedro Briceno, vice president, CAP [Pacific Steel Company] Eighth Region Trade Union; Hugo Estivales, president, Andean CODELCO [Copper Corporation] Employees' Trade Union and National CTC [Confederation of Copper Workers] Council member; Guillermo Medina, president, El Teniente Zonal Union; Victor Paredes, president, Federation of ENDESA [National Electric Power, Inc.] and Branch Workers' Trade Unions; Hernol Flores, president, National Fiscal Employees' Association; Rigoberto Munoz, secretary general, National Fiscal Employees' Group; Fredy Nunez, president, Paper and Carton Manufacturing Company Trade Union Federation; Eduardo Rios, president, Maritime Confederation of Chile; Ernesto Vogel, president, Railroad Industry Federation of Chile; Manuel Bustos, president, National Textile Confederation; Ricardo Hormazabal, director, Banking Federation; Federico Mujica, president, Confederation of Private Business Employees of Chile; Jose Ruiz, president, National Oil Federation; Sergio Troncoso, president, National Construction Federation; and Enrique Vergara, president, National Weather and Footwear Confederation.

What Is Gained by the Social Agreement

Workers:

- Greater participation in enterprises with a trade union movement which proposes as well as making claims.
- Improvement of living conditions, higher wages, social security.
- Greater importance for increased employment as a national goal.
- Establishment of strong trade union organizations.

Businessmen:

- Defense of private ownership, and preventing the return to democracy from meaning a "turning of the tables."
- Preservation of the right to manage their businesses.
- Vigilance over the slightest state intervention in the economy and in society in general.
- Maintenance of order and discipline in industry and avoidance of the proliferation of strikes and excessive ideological content in collective bargaining and political decisions.

State:

- Maintenance of discipline, social organization and public order.
- Avoidance of concentration of social pressures in the state and political parties; and channeling of social demands and responses through the trade unions and professional organizations.

5157

CSO: 3348/265

CHILE

BILATERAL COMMITTEE STUDIES THREE AREAS OF TRADE WITH JAPAN

Santiago EL MERCURIO in Spanish 26 Nov 85 pp B1-B2

[Text] The Chilean-Japanese Business Management Committee, which met on 18 and 19 Nov in Kyoto, agreed among other things on urgently informing the Japanese government of the need to eliminate the restrictions on the entry into this Oriental country of fresh table grapes and other Chilean farm products.

According to information provided by Industrial Development, about 100 businessmen participated in the seventh meeting of the committee in question, at which Bunichiro Tanabe, president of the Mitsubishi Corporation and head of the Japanese section of the committee, presided. Also participating as vice president was Hernan Daroch, president of the Chilean counterpart of this bilateral organization.

General Sergio Valenzuela, former minister and director of the ODEPLAN [National Planning Office], who is now minister and secretary general of the Presidency, attended the work sections as an invited guest. He discussed the current situation of the Chilean economy and the problem of the foreign debt.

Work sessions were held during the conference for Chilean and Japanese businessmen, and they were organized in three sectors. These were A) forest and wood, farm, agroindustrial and fishing products; B) minerals and energy; and C) trade, finance, technical cooperation and maritime transportation.

The businessmen agreed "to promote industrial cooperation between the private sectors in the two countries, with special emphasis on greater participation by Japanese capital and technology in Chilean development projects in the sectors involving energy and the exploitation of resources, industries for the processing of resources and farm products, etc."

Another of the agreements pertains to the need "to make a joint effort to eliminate the reasons preventing the reestablishment of guarantees on medium-term exports for Chile, in order to make Japanese exports to Chile competitive again."

They also agreed "to continue to recommend that the government of Japan adopt the measures and procedures needed to effect the elimination of the

restrictions on Japanese imports of fresh table grapes and other farm products from Chile."

Finally, there was a consensus on "recommending to the Japanese enterprises participating in international bidding on investment products in Chile that they make every effort to include the largest possible quantities of goods and services of Chilean origin in their offers."

5157

CSO: 3348/264

CHILE

JAPANESE REPORT ON VALPARAISO, SAN ANTONIO PORT DEVELOPMENT

Santiago EL MERCURIO in Spanish 27 Nov 85 p C-1

[Text] Japanese experts have officially submitted to the Chilean government the first report pertaining to the "Master Plan for the Development of the Ports of Valparaiso and San Antonio," defining the terms for the recovery and development of the capacity of both port terminals, including the greater investments which it will be necessary to undertake.

This document was delivered to engineers Marcos Maraboli of the Ministry of Transportation and Hugo de la Fuente of the Ministry of Public Works, representing the Commission for the Reconstruction of the Ports in the Fifth Region, by Susumu Kato and Katsuhiko Suzunai.

The technical aid of the Japanese government has been provided through the Japanese International Cooperation Agency (JICA).

According to the background information supplied by Marcos Maraboli, the free assistance of the Japanese technicians has allowed our country to effect a savings of \$1.3 million, which is the cost which would have been incurred if the country had contracted for this work on the international consulting market.

He said, concerning the capital contributions needed to carry out this project, that independent of the studies being made, it has been estimated that the investment in the ports of Valparaiso and San Antonio should come to about \$100 million.

He added that there is a possibility of obtaining World Bank financing for this project, concerning which there have already been some preliminary talks with that international body.

He recalled that this plan emerged as a need after the earthquake in March, when it was decided to undertake not only the short-term recovery of the two terminals, but also the development of their operational capacity consistent with future prospects, looking toward the end of a 25-year period, for example.

Maraboli said that the increased freight flow in both ports is about 3 percent per year, and the idea is to expand the operational capacity such as to accommodate this growth. He stressed that Valparaiso and San Antonio handle 50 percent of the cargo total for Chilean ports.

This expert said that in August of 1986, the study for the development plan at both port centers will be completed, and subsequently execution of the civil construction projects will have to be undertaken.

5157

CSO: 3348/264

CHILE

NEW LAW PROVIDES FOREIGN INVESTMENT INCENTIVES

Santiago EL MERCURIO in Spanish 1 Dec 85 p C-2

[Text] Changes which will make the functioning of the 1974 DL [Decree Law] 600 on foreign investments more flexible, by adapting it to the new world financial market conditions in order to thus provide an incentive for the execution of new foreign projects in Chile, are provided in Ministry of Finance Law No 18474, which was published yesterday in EL DIARIO OFICIAL.

That legal body has amended DL No 600, the text of which was replaced by 1977 Decree Law No 1748.

Sources in the economic sector emphasize that these changes come within the government policy designed to promote and encourage an increase in foreign investment in the country.

They explained that the complex of comparative advantages Chile offers in certain categories and the changes affected yesterday making DL 600 more flexible will make it possible to achieve these goals, particularly with regard to the projects pertaining to exports. In this connection they noted that next year, two undertakings are to be carried out which will mean foreign sales for the country in an amount of about \$300 million annually.

Project Financing

Concerning the changes, these sources explained that they are designed to facilitate the use of a formula for financing foreign investment which is beginning to be widespread throughout the world today, known as project financing.

According to this mechanism, the resources for a given project are contributed by the suppliers of equipment and machinery, foreign banks and both multilateral and government agencies.

It was explained that Law No 18474 calls for changes designed to ensure that this system develops in Chile as well. It was further explained that the methanol project for the exploitation of natural gas to be carried out in Magallanes is a specific instance.

One innovation in this connection is the possibility that the Central Bank and the internal tax service might authorize the allocation of the foreign exchange obtained for the project through exports to the direct payment abroad of the commitments made to those financing the undertaking.

The new norms also provide for greater flexibility in such matters as guarantees of permanence in tax regulations and the time periods for making investments.

In the former connection, the foreign investor is now further assured of stability in the bases for implementing projects, while with regard to the 10-year period currently in effect, it may be increased, it is said, on a basis consistent with the estimated duration of the project, but in no case will it exceed 20 years.

5157

CSO: 3348/265

CHILE

RESULTS OF UNIVERSITY STUDENT ELECTIONS

Santiago EL MERCURIO in Spanish 1 Dec 85 p D-3

[Text] The 1985 school year began with the threat of agitation and confusion in the universities, and is ending with this threat confirmed. There have been troubles at the University of La Serena which led the authorities to end classes 2 weeks early, as well as sit-ins at Austral and in the Buenos Aires institutions, and conflicts in Concepcion which have kept police on duty within the university this week. This is the "finishing touch" which the students in the opposition proposed to place on this year's end, with an active "mobilization" scheduled to accompany the process of what they call university "democratization." By this they mean the consolidation of the system of direct voting in the elections for students' centers and federations.

The students succeeded, as they intended, but with ups and downs, in asserting their presence on the national scene with their mobilizations and their elections, causing not only agitation in the classrooms but also in the whole of the political world...and the government.

A warning was heard from the lips of Minister Francisco Javier Cuadra: In 1986, steps will be taken to prevent "any repetition of situations of violence such as to hinder the normal development of academic life," while he once again made charges against the Christian Democrats because of their alliance with the MDP [Popular Democratic Movement] in the student elections.

As background for a subject which has been especially controversial and much debated this year--the strategy of the university student sector, we are listing the main elections held, and their results, in 1985.

Although the students at the various institutions organized and ran for office in the elections on slates known by various names, such as university accord, unity and autonomy, democratic agreement, etc., they represented the various political forces. Therefore, to make them more comprehensible, we are listing them as Center Right (including independents, trade unionists and militants in right-wing parties), Christian Democracy (normally allied with the social democrats), Popular Democratic Movement (including the PC [Communist Party], the Almeyda PS [Socialist Party] and the MIR [Movement of the Revolutionary Left]) and Left (the Bloc socialist sector).

University of Chile

Elections: Student Federation of Chile (FECh)

Date: 1 November

Students with voting rights: 22,245

Voters: 17,354

Results: 1) Christian Democrats-Social Democrats--5,650; 2) Popular Democratic Movement--5,573; 3) Center Right--3,802; 4) Socialist Bloc--1,035; 5) Humanists--321; 6) Nationalists--206; 7) Trotskyites--71.

Catholic University of Chile

Elections: Federation of Catholic University Students (FEUC)

Date: 25 April

Students with voting rights: 10,148

Voters: 9,252

Results: 1) Christian Democrats-Popular Democratic Movement and Left--5,280; 2) Center-Right--3,650.

Catholic University of Chile

Elections: Full University Council

Date: 28 June

Students with voting rights: 10,148

Voters: 6,089

Results: 1) Christian Democrats-Social Democrats--1,902; 2) National Union and Right-Wing Independents--1,197; 3) Popular Democratic Movement--845; 4) Trade Unionists--813; 5) Socialist Bloc--654; 6) Christian Left--241; 7) Nationals--228; 8) Schoenstatt--153; 9) Trotskyites--53.

University of Santiago de Chile, USACH

Elections: University of Santiago Students' Federation (FEUSACH)

Date: 21 November

Students with voting rights: 11,706

Voters: 8,159

Results: 1) Christian Democrats-Popular Democratic Movement and Left--5,436; 2) Center Right--1,161; 3) Ultraleft of the MDP--415; 4) Humanists--175; 5) Trotskyites--33.

University of Concepcion

Elections: Student Federation of Concepcion (FEC)

Date: 3 September

Students with voting rights: 8,663

Voters: 5,839

Results: 1) Christian Democrats, Popular Democratic Movement and Left--4,893; 2) Trade Unionists--665; 3) National Party--366.

Catholic University of Valparaiso

Elections: Federation of Valparaiso Catholic University Students (FEUCV)
Date: 25 April
Voters: 5,346
Results: 1) Christian Democrats, Popular Democratic Movement and Left--3,287;
2) Center Right--1,222; 3) Architecture--592.

Federico Santa Maria Technical University

Elections: Federico Santa Maria Technical University Students' Federation
Date: 21 November
Students with voting rights: 2,199
Voters: 1,878
Results: 1) Popular Democratic Movement-Left--858; 2) Christian Democrats--
678; 3) Center Right--446.

University of Talca

Elections: Talca University Students Federation
Date: 22 November
Students with voting rights: 3,403
Voters: 2,408
Results: 1) Popular Democratic Movement-Left--1,138; 2) Christian Democrats--
722; 3) Center Right--501.

University of La Frontera

Elections: La Frontera University Students Federation
Date: 20 November
Students with voting rights: 3,862
Voters: 2,692
Results: 1) Christian Democrats--296; 2) Popular Democratic Movement--Left--
1,129; (the Center Right abstained).

University of Magallanes

Elections: Magallanes University Students Federation
Date: 28 November
Students with voting rights: 1,480
Voters: 919
Results: 1) Popular Democratic Movement-Left--468; 2) Christian Democrats--
340; (the Center Right abstained).

University of Tarapaca

Elections: Tarapaca University Students' Federation
Date: 8 November
Students with voting rights: 4200
Voters: 3700
Results: 1) Popular Democratic Movement-Left--51.5 percent; 2) Center Right--
18 percent; 3) Christian Democrats--13 percent.

CHILE

52 GENERAL OFFICERS' NAMES, POSITIONS

Santiago QUE PASA in Spanish 21 Nov 85 pp 12-13

[Text] General Officers' Corps--Total 52

1) Commander in Chief of the Armed Forces:

Augusto Pinochet Ugarte, president of the republic and commander in chief of the army. Branch--Infantry.

2) Lieutenant General:

Cesar R. Benavides, former member of the Ruling Junta, soon to occupy a post in the confidence of the president. Branch--Telecommunications.

Julio Canessa R., member of the Ruling Junta. Branch--Infantry.

3) Major Generals:

Santiago Sinclair O., deputy commander in chief of the army. Branch--Armored Cavalry.

Luis Danus C., commander in chief of the Southern Military Region.

Alejandro Medina L., chief of the general staff for national defense, branch--Artillery.

Manuel Barros Recabarren, inspector general of the army. Branch--Artillery.

Jorge O'Ryan B., chief of the general staff of the army.

4) Brigadier Generals:

Jorge Berrios, director of army finance.

Roberto Soto M., rector of the University of Chile.

Sergio Badiola B., director of army operations. Branch--Telecommunications.

Roberto Guillard M., head of the Chilean military mission in Washington.

Alfredo Calderon C., army personnel director. Branch--Infantry.

Julio Bravo V., commander of the Military Industry and Engineering Command.

Claudio Lopez S., general director for national mobilization.

Gaston Frez A., commander in chief of the Sixth Army Division and intendant and quartermaster general of the First Region in Iquique.

Arturo Alvarez S., director general for sports and recreation. Branch--Infantry.

Eduardo Ibanez T., commander in chief of the Third Army Division and quartermaster of the Eighth Region (Bio-Bio).

Cesar Manriquez B., army logistics director.

Bruno Siebert H., minister of public works.

Washington Garcia E., head of the Fourth Legislative Commission Office.

Carlos Meirelles M., commander in chief of the First Army Division and quartermaster of the Second Region.

Pedro Howard F., head of army transportation.

Jorge Verdugo A., chief of army health.

Luis Reyes T., FAMAE [Army Ordnance] director.

Carlos Ojeda V., commanding general of the Santiago Garrison. Branch--Armored Cavalry.

Manuel Matas S., commander of the Army Administrative Support Command.

Jorge Zincke Q., commander of the Military Institutes Command.

Jaime Gonzalez V., commander in chief of the Fifth Army Division. Punta Arenas. Branch--Armored Cavalry.

Mario Navarrete B., director of the National Academy of Political and Strategic Studies.

Samuel Rojas P., commander in chief of the Second Army Division (Santiago).

Francisco Martinez B., commander of the Army Engineers Command.

Fernando Hormazabal G., president of the CORFO [Production Development Corporation].

Eduardo Castellon K., commander in chief of the Fourth Army Division (Valdivia).

Julio Andrade A., deputy head of the Fourth Legislative Commission Office.

Jose Joaquin Matte, military vicar general.

Julio Salazar L., director of army intelligence.

Helmut Kraushaar Sch., deputy commander in chief of the Third Army Division (Concepcion).

Sergio Valenzuela R., minister and secretary general for the Presidency.

Aureliano Tello R., secretary of the deputy commander in chief of the army.

Jorge Lucar F., commander of the Army Telecommunications Command.

Patricio Gualda T., rector of the University of Santiago.

Huga Salas W., deputy director of the CNI [National Information Center].

Hugo Prado C., head of Department I of the EMDN.

Eduardo Avello C., general auditor of the army.

Luis Serre O., deputy secretary for regional and administrative development of the Ministry of Interior.

Patricio Martinez M., deputy commander in chief of the First Army Division (Antofagasta).

Francisco Ramirez M., director of the ODEPLAN [National Planning Office]. Branch--Artillery.

Hernan Chacon S., deputy commander in chief, Sixth Army Division (Iquique).

Luis Henriquez R., army training director.

Rodrigo Sanchez C., commander in chief of the Seventh Army Brigade, Aisen. Branch--Military Engineering.

Renato Fuenzalida M., commander of the Army Logistics Support Command.

Outgoing Generals in 1985

a) Retiring: Brigadier Generals Jorge Dowling Santa Maria, Sergio Perez Hormazabal, Gustavo Rivera Toro, and Mario Ramos Munoz.

b) The following will continue in their posts until the end of the year, when their status will be determined:

Major General Enrique Valdes Puga, chief of the general staff. He is being replaced by Jorge O'Ryan.

Major General Santiago Sinclair O., former minister and secretary of the Presidency. His status has now been resolved, with his appointment as deputy commander in chief of the army.

Major General Christian Ackerknecht, former inspector general of the army. He is being replaced by Manuel Barros Recabarren.

Major General Rene Vidal B., former commanding general of the Santiago Army Garrison. He is being replaced by Carlos Ojeda Vargas.

Unofficially, Generals Valdes Puga, Rene Vidal and Christian Ackerknecht are expected to retire at the end of the year.

Based on source and duties, Chilean army officers are classified as follows:

a) Branch Officers:

The branches include the infantry ("infantocos"), artillery, armored cavalry ("chocos"), engineers ("chufingas"), and telecommunications ("telecotecos").

b) Services:

1--Material support, including war materiel, quartermaster's stores, transportation, health, dental health and veterinary services.

2--Personnel, adjutant general's office, court, religious service, mail, welfare service, burial service, replacement service.

c) Women's Military Service

Line and service duty.

Infantry officers make up the largest percentage in the army. In every course, more than half choose this branch. It is the infantry and armored cavalrymen who advance and conquer territory, while the other branches provide support.

Requirements for Promotion to General Officers' Posts

General staff officers pursue lines directly associated with a military career. Polytechnicians, on the other hand, emerge with engineers' qualifications. These two courses are optional and the polytechnicians are regarded as more "intellectual," because although they complete their studies trained as engineers, their skills can be used in any work in civilian life.

5157

CSO: 3348/263

CHILE

FUTURE COPPER PRODUCTION POLICY DEFINED

Santiago EL MERCURIO in Spanish 29 Nov 85 p C-1

[Text] "The strategy of Chile for the copper sector during the coming years is to reach production levels more or less consistent with its reserves and their quality, with emphasis on lowering production costs and encouraging both old and new uses of this metal."

This statement was made yesterday by the executive vice president of the Chilean Copper Commission, General Ruben Schindler, who spoke at an international seminar on the theme "Copper Challenges to the Year 2000," which was organized by the Copper and Mining Studies Center (CESCO).

This spokesman said that electricity is the energy of the future, and that it may be important for copper because this metal is used as an electric conductor.

When asked about whether the strategy for increasing production would not strengthen the downward trend in the price of copper, General Schindler said: "This has not been occurring, because instead of achieving an improvement in the price of copper, what Chile has done by reaching production levels consistent with the installation and capacity of its mines is to lower its costs almost by half."

He noted that the fact that prices are low is an international phenomenon and the production of the bad situation of the world economy. "But having low costs, through proper production levels, this indeed is our affair and only ours."

He said that for this year, the country plans copper production similar to that for last year, which came to 1.3 million tons. With regard to the production estimates for the year 2000, he said that these are very difficult to make, because all this will depend heavily on foreign investment in the sector.

He recalled that an investment in the La Escondida Copper Deposit is soon to be implemented, and will mean production of between 200,000 and 300,000 tons of copper a year. He noted that the CODELCO [Copper Corporation] is

maintaining its production level, and that its prospecting in Andina has enabled it to locate enormous resources in the southern mine.

However, Schindler stressed that "in no case is the plan to be followed one of 'producing for production's sake.' It will depend on how demand develops. The initial increase was basically to lower costs."

Copper Consumption

In an earlier explanation, British expert Christopher Stobart said for his part that beginning in 1973, the consumption of refined copper in the industrialized countries of the OECD [Organization for Economic Cooperation and Development] has hardly increased at all, while more than 85 percent of the increase in world consumption of this metal has been accounted for by the group of nations not within the OECD.

He said that the drop in OECD demand has been caused mainly by two factors: a slowdown in the average rates of economic growth, and a change in the structure of that growth.

5157

CSO: 3348/264

CHILE

SELECTED PROVISIONS OF BANKING REFORM LAW EXAMINED

Santiago QUE PASA in Spanish 21 Nov 85 pp 18-20

[Text] Beginning on 31 December 1986, the state insurance protecting deposits in the financial system will be gradually eliminated at 10 percent every half-year. This means that not until the end of 1991 will the state cease to guarantee a part of bank deposits. This thus becomes one of the first laws which will go well beyond 1981 before being fully applied.

This provision is a part of the draft banking reform law sent to the legislative committee on 9 October.

The draft is a lengthy one. It is made up of 137 huge articles, the majority of them accompanied by the inevitable and fearful "Section Bs," since the proposal has to do with the structure of the law in effect, such that these second sections are intercalated in the existing articles. Great polemic arguments had developed even before it was known that the law had been sent to the committees. The bankers, through their association, tried in vain to learn the content of the text in order to make the comments they deemed pertinent. However, they failed in their objective.

Given the extent of the text, QUE PASA has selected only the most polemic articles in the law, those which must necessarily provoke broad discussion about the desirability of their implementation. Moreover, the law subjects all those enterprises which issue credit cards in this country to the supervision of the Superintendency of Banks.

It is Article 80b which pertains to bank reserves. It proposes a supplementary reserve for demand and time deposits which would be applied beginning 10 days prior to the established due date. It would in addition equal 100 percent of the deposits in excess of twice the paid capital and reserves at each institution. This provision would partially take the place of the insurance provided today by the state. While it does make it possible to maintain relative confidence in the recovery of funds, it will lead the banks to raise the interest rates collected on their loans because the so-called "cost of funds" will rise. There would also be an increase on time savings and housing savings passbook accounts.

But that is not all. This article provides that the banks which have a deficit in this cash position for more than 15 days will be required to present their creditors with proposed agreements, and all of this "without prejudice to the authority of the superintendent to appoint a provisional administrator or to call for liquidation."

An End to Secrecy

Article 20 provides that although banking operations will remain confidential, the background material which in the judgment of the superintendency should be made public because "the public or general interest is threatened" may be released. This provision seems rather like the policy of "relevant data" implemented in recent months by this same superintendency, perhaps in anticipation of the application of the new legal article.

Article 84 provides that the assets which can be regarded as security for the purposes of establishing percentage credit limits on paid capital and reserves will be those which the Risk Classification Commission assigns to categories A and B. Despite this, an exception is made of the financial instruments issued by the bank itself, which cannot be used for this purpose. Thus the banks will be obliged to effect "crosswise" operations, thus introducing series of distortions on the market.

At the same time, this commission is being given a series of superpowers, establishing as a monopolistic organization, the authority of which will take on a new dimension, vastly exceeding that it has at present.

This same Article 84 says that for the purposes of credit margins, the "superintendent will establish norms for the appraisal of guarantees," thus transforming the supervising organ into the appraisal body as well. It would then be necessary to have real levels of appeal, so as to avoid, by this means, the possibility of the development of coadministration by the banks and state authorities, in practice.

For the purposes of evaluating and computing these margins, Article 85 makes it clear that the obligations taken on by any individual, both direct and indirect, must be added to the credit obligations owed by the companies in which that individual has some interest, whatever the nature or the amount of his obligations.

As a result, a debtor need hold only one share in an indebted corporation to require the prorating of the credit it has obtained. Application of this regulation, in addition to the difficulties in establishing control over it, will tend to toss the system of popular capitalism overboard. Or is there someone who wants a part of the debts of the Bank of Chile to appear as his own, however small the quantity involved may be?

This same article introduces various new concepts in transactions, capital and administration, called "relationships." They all have to do with what must be viewed as persons who are "related" for the purposes of credit margins. The law presumes that any of the characteristics listed "enables one to exert a significant influence on the decisions of another." Therefore all of the

links between persons so related "will be regarded as those of a single person for credit margin purposes."

That is not a small thing. In terms of transaction relationships, those existing between a farmer and the enterprise which transports his products might be included. Or if we refer to another of the free terms, that of "credit used for the benefit of another," the credit granted for the purchase of a household electrical appliance by a commercial distributor might be included. And with regard to the concept of "unity of economic interest," this might be invoked if a number of enterprises "charter" a vessel for their exports. Is it possible, for margin purposes, to add all of these obligations together? What then will happen with large-scale savings?

Apparently, the provisions designed to limit the allocations of credit both to individuals and enterprises will make it impossible for a mere mortal to meet the requirements for application for a bank loan.

Nor will it be easy for related enterprises, their directors, managers, assistant managers and banking agents, nor for individuals "related" to them, to gain access to credit. Article 84, Item 4 in the draft indirectly establishes a prohibition on granting credit to any enterprise related to the administration, a decision which would contradict Item 2 of the same article which sets limits on the granting of such credit.

Stockholders

Article 65, Item 18, establishes additional limitations on access for private individuals to bank property. It says that when purchases of stocks exceed 10 percent of the capital of the bank, the express and prior authorization of the superintendent will be required. In addition, it is made clear that even though the purchase of stocks is minor, but when added to the earlier holdings exceeds that 10 percent, this same authorization must be obtained.

Before granting his approval, the superintendent must consider the solvency and financial conduct of the applicant and background information on his bank management. If authorization is denied, the stockholder loses his voting rights for all of his stockholdings in excess of this 10 percent. This provision might be unconstitutional, since it leaves it to a state official to decide on whether a stockholder may or may not exercise the right to which his ownership entitles him, for example, the administration of his assets.

If stocks were paid for in cash, for example, would it be necessary in any case to demonstrate solvency? Is it essential for an investor to demonstrate knowledge of bank management? If this were the case, many of the large enterprises in this country would not qualify for obtaining bank property in any significant percentage.

And there is more. If the law were in effect today, would the SONAMI [National Association of Mining] or the Jewish community qualify to purchase the Concepcion and International banks assigned interventors? Probably not. Or can it be claimed that they could demonstrate knowledge of financial management?

This same Article 84 also prohibits the allocation of credit to individuals "related" to bank ownership or management under more favorable conditions, as regards time periods, interest rates and guarantees, than are enjoyed by third parties in similar operations. This concept is extremely vague, given the vast amounts of background data on the operational line of each business which must be evaluated when it comes to carrying out a banking operation.

However, this article contains an even more dangerous proposal--that providing that it is the superintendent of banks himself who will have the authority to "determine, on his judgment alone," what natural or juridical persons should be regarded as "related" to the ownership or management of a bank. With this sole provision, a major part of the credit system in the country can be managed by the superintendency, with the authority to limit, by significant amounts, the access to credit enjoyed by all those individuals or institutions regarded as "related."

With regard to payments in kind, the new legal text prohibits the acquisition of assets by banks for which this is the source. It only allows the adjudication of assets in court-ordered sales, provided always that payments or debts previously contracted to the bank are involved, and transfer must be made within 1 year at a maximum.

This forces banks to initiate court suits against debtors, with all the delays, losses and greater expenditures they involve.

Losses and Liquidations

Chapter XV is suggestively entitled "Measures for Regularizing Bank Situations and Their Forced Liquidation." Article 116 introduces an element not contained in the current law. It provides that "every bank must increase its paid capital and reserves when, having deducted from these sums the losses for which provision has not been made, their deposits and obligations exceed 20 times said paid capital and reserves thus calculated, unless the situation has been normalized within a period of 30 days."

First of all, it would be wise to establish what "losses for which provision has not been made" means, since the draft does not clarify this concept. This definition, along with one for "provisions," should be included in the law such as to avoid leaving the interpretation thereof to the superintendent in office. Or even, to the government in office.

In other words, the superintendency would have only to establish that "provisions" in a certain amount are a requirement in order, in the end, to lead to a state takeover of an institution in this sector. After all, the same article says that "the superintendent will convoke stockholders' assemblies to approve the increase in capital to the amount deemed necessary for normal functioning, with the period, form, conditions and methods by which stocks will be issued and the above-mentioned increase achieved being established."

In Article 117 and those which follow it, financial insolvency is dealt with. "It will be presumed that a bank is in a situation of insolvency if its deposits and obligations to third parties have grown to more than 25 times its paid capital and reserves, having deducted therefrom the losses not covered by provisions, unless there are well-founded reasons for believing that within a maximum of 60 days, the increase in capital needed to reduce this ratio to the maximum permitted will be achieved."

If this does not occur, "the financial institution will submit proposals to the creditors, and will in all departments establish a list of creditors with whom it is necessary to negotiate on the matter. This list will show the value of each claim, taking the capital balance plus interest and adjustments to date into account." It further specifies that "if the situation occurs, the Central Bank, at the request of the bank, must provide the sums needed for the payment of the deposits and obligations not included in the agreement proposals."

The new legal text includes much more. In view of its overwhelming importance, it seems absolutely essential that the text be published and that a broad and serious debate on the subject take place. The authority granted the superintendent appears excessive.

Otherwise, one must wonder if, with a law like this one, whether superintendent Matamoro, in the UP [Popular Unity] era, would have left a single bank in the hands of the private sector.

5157

CSO: 3348/265

CHILE

NEW REGULATION ALLOWS IMPROVEMENT OF DEBT-CAPITAL RATIO

Santiago EL MERCURIO in Spanish 2 Dec 85 pp B-1, B-2

[Text] The Superintendency of Banks, headed by Guillermo Ramirez, has provided the financial bodies, by means of Circular 2142 dated 29 November, with the regulations which will serve as a framework for the process of capitalizing and consolidating the debts of the productive sectors, as provided by Law No 18439 dated 21 September.

The 27-page document says the following: "The law has as its purpose enabling the financial system, through the mechanisms of capitalization or consolidation of credit, to offer the enterprises producing goods or services alternatives for resolving their high debt problems. The conversion of credit into capital will enable the enterprises with excessive debt to improve their debt-capital ratio drastically, while the consolidation of debts may facilitate agreements with creditors, for the respective debtors, and a supply of additional labor capital."

It is also stipulated that the application of these provisions will be authorized by this supervisory body on a case-by-case basis."

Only Productive Enterprises

"Only proposals pertaining to enterprises which produce goods or services will be considered. In any case, the creditor bodies will have to establish the viability of the debtors seeking to utilize one of these procedures for normalization in advance, and, as a result, considering only those cases of enterprises which, in their judgment, can effectively be recovered through one of the mechanisms mentioned," the circular adds.

In any case, it is noted, the law "is broad and flexible such that within the context of its provisions, the solutions which will best satisfy the parties involved can be agreed upon, it being essential that there be prior agreement between the debtor and the creditor concerning the conditions for capitalization or consolidation agreed upon."

Capitalization

Where capitalization is concerned, the circular provides that it may be carried out up to the total amount of credit on which payment is owed.

One of the requirements for the process of capitalization is "that the indebted enterprise be a corporation, or if it is not, that it first be converted into a company of this type for the purposes of obtaining access to the system."

The superintendency recommends that "it is desirable before effecting such a change, an evaluation be made of the potential the enterprise offers for recovery if capitalization of its credit is undertaken, and if the result of this evaluation is positive, this proposal should also be submitted for the preliminary consideration of this superintendency. This will prevent the enterprise involved from incurring expenditures which will subsequently be useless for the intended purpose in the event that capitalization is not approved."

The circular goes on to say that "the participation of creditor financial bodies in the capital of debtor enterprises may be affected by subscription to common, preferred or special shares of stock, as well as through the purchase of bonds to the order of the financial institution convertible into stock, all in accordance with the agreed level of participation by the newest stockholders in the management of the enterprise."

As to the extent of capitalization, it may include outstanding or due credit plus the interest owed in Chilean and all foreign currency, including that granted to the Central Bank of Chile and that rescheduled within the framework of some of the agreements on the rescheduling of debts which the executive committee of the issuing institution has approved.

Requirements

As a prior requirement for the capitalization of credit, banks will have to obtain the agreement of the respective debtors in advance, as well as an evaluation of the viability of the debtor enterprise.

"This evaluation must be supported by a report issued by outside consultants or auditors who are listed in the register this superintendency will establish for the purpose," this body explains. These experts will have until 28 February next to register.

It is explained that in any case, if studies already drafted are in existence and if they are acceptable to the parties involved, the superintendency will give them due consideration for the purposes of meeting this requirement. A viability study drafted by a financial institution which is a party to the agreement, which may effect such a study as a representative of the other participating bodies, will also be acceptable.

Characteristics

In general, the superintendency's circular says, capitalization will be carried out by means of subscription to ordinary shares of stock, but applications based on the issuance of preferred or special series stocks "with some terms differing from those of common stock in the company, such as for example those providing for voting rights in the stockholders' assemblies or other terms within the limits allowed by the law on corporations," will also be considered.

In such a case, the proposals must provide for the conversion of preferred or special stocks to common stocks at the time of their transfer, "such that their special characteristics will exist only while the financial institution in whose name they were issued owns them."

The circular goes on to say that "this superintendency will also give consideration, especially when the administrative management of the issuing enterprise prior to its capitalization has been satisfactory, to the possibility of subscription to bonds convertible into stocks when they mature. The period for the maturing of such bonds may not exceed that established for the transfer of the stocks, such that at the end of that period at the latest, they will be converted into common shares in the stock of the enterprise."

The circular also adds that "the subscription to common shares of stock in part and preferred or special shares of stock (without voting rights) or bonds convertible into stocks, in part may be approved, on the basis of the agreement reached in this regard by the stockholders' assembly of the enterprise and the creditor financial institutions."

In the view of this supervisory body, the mixed solution may be suitable for creditors who want to exercise appropriate control without fully taking over the management of the enterprise to be capitalized.

Credit Sold

As has been explained, capitalization also may include credit granted by bodies to the Central Bank. In such cases, this credit may be redeemed and reintegrated in the portfolio of the enterprise before capitalization can be undertaken.

They will be redeemed from the Central Bank "by means of replacement with other credit of the same nominal value, by preference, or failing that, by a special repurchase of the credit involved by the issuing institution, with payment of a price for such repurchase under the same terms and conditions as those established for the respective repurchase requirements, that is that agreed upon in Unidades de Fomento, without surcharge, or that agreed upon in Unidades de Fomento plus a surcharge of 5 percent per year."

Rescheduled Credit

The official circular also stipulates that rescheduled credit may also be included in capitalization, and in such cases the corresponding Central Bank line of financing remains in effect, while the creditor financial institution retains its share of the capital of the enterprise which owes payment of this credit.

"If the stocks are transferred by means of a sale on credit, the refinancing line will not be prepaid, but will be paid as actual payments of the stocks sold are received, for as long as a balance remains on that credit line."

Appraisal

The stocks or bonds convertible into stocks received by the financial bodies may be listed at the value shown on the accounting records for the credit subject to capitalization, "but these investment tools will be subject to the norms for the classification of financial investments."

Allowances and Securities

The surplus allowances bodies record as a result of the capitalization of credit may be released or maintained as guarantees for funds yet to be established, or they may be allocated for the coverage of future risks of loss on stocks or bonds described.

Similarly, these bodies may undertake to release the securities backing the credit which will be capitalized, which will make it easier for the enterprises to obtain labor capital.

As to the sale of the stocks subscribed, preferential options for the purchase of the stocks issued in favor of the old stockholders of the enterprise may be stipulated at the time of agreement on capitalization. As a general norm, in any case, it is explained that this option can be exercised during the first two-thirds of the period for the transfer of the stocks which the superintendency has established."

In the event that the sale leads to losses for the banks, the penalties thereupon may be deferred up to 48 months, if the transfer occurs in the first third of the longest authorized period, up to 30 months if the transfer occurs in the second third, and for 12 months if the sale occurs in the last third of the period established.

Consolidation

Another important chapter in the circular pertains to the mechanism of debt consolidation enabling the superintendency to exempt the credit which has its origin in this mechanism from the individual credit margins established by the Banking Law. "The concept of consolidation is regarded as including the financing intended to provide new credit resources to enterprises whose debts have been rescheduled, financing for the acquisition of already existing loans

allocated by other credit institutions, and new loans for the purpose of eliminating other obligations within the same body," the circular says.

"It should be stressed," it goes on to say, "that consolidation is defined in the sense meaning basically the authorization of special individual credit margins for obligations resulting from rescheduling agreements and new financing to supplement that in effect. It can as a result be concluded that consolidation is not necessarily taken in the literal sense of the term, where the incorporation of the totality of the debt in a single document is concerned."

The consolidated credit for which exemption from the margins may be obtained includes: A) that corresponding to rescheduling or the allocation of new credit enterprises whose line of business is the development of an activity producing goods or services; B) that for which economic and financial studies show that the consolidation of the debts of the enterprises involved represents a real and final solution to their financial difficulties; and C) that which are a part of the agreement made by the creditors of the respective enterprise which are financial institutions established in Chile, in the renegotiation for the debt consolidation."

The credit qualifying for consolidation includes that granted to the Central Bank and that which has been rescheduled.

In order to facilitate the pertinent debt rescheduling agreement, financial bodies may agree among themselves to concentrate the debts in a given institution for consolidation.

5157

CSO: 3348/263

CHILE

BRIEFS

1986 BUDGET FIGURES--Ministry of Finance Law No 18473 pertaining to the budget for the public sector for 1986 was published in EL DIARIO OFICIAL yesterday. That body established an expenditure total for the period of 1,050,919,603,000 pesos in the national currency, and \$773,344,000 in foreign currency. In the category of income in national currency, the following totals were established: operational income--99,047,259,000 pesos, social security contributions--62,613,831,000 pesos, taxes--559,427,725,000 pesos, sales of bonds--30,369,579,000 pesos, loan repayments--21,652,444,000 pesos, transfers--51,614,241,000 pesos, indebtedness--150,836,910,000 pesos, and other income--62,935,824,000 pesos. [Text] [Santiago EL MERCURIO in Spanish 1 Dec 85 p C-20] 5157

NEW EMERGENCY ZONE CHIEF--Brigadier General Carlos Eugenio Ojeda Vargas is the new titular head of the Emergency State Zone in the Metropolitan Region and province of San Antonio, according to a decree published in EL DIARIO OFICIAL. Ojeda Vargas replaces General Rene Vidal Basauri, who will be assigned to new duties by the high command. The Ministry of Interior decree, dated 29 November, says the following: "Supreme (Interior) Decree No 1146 dated 12 September 1985, which declared a state of emergency in the regions, provinces and settlements of the country for a period of 90 days, and which appointed officers of the armed forces as titular heads thereof and replacements for them, is amended as follows: the titular head of the Metropolitan Region and province of San Antonio will be Brigadier General Ojeda Vargas, Carlos Eugenio (RUN [Centralized National Registry], No 3245237-k). [Text] [Santiago EL MERCURIO in Spanish 1 Dec 85 pp C-2] 5157

GALLUP POLL REVEALS PESSIMISTIC EXPECTATIONS--Chileans believe that 1986 will be as distressing, or more distressing than 1985. This is the conclusion of a poll performed by the U.S. Gallup firm released in Santiago today. The poll was performed in December on a representative sample of 400 people. Similar polls were performed in 35 other nations where Gallup has branches. Unlike in Peru and Argentina, where a remarkable number of optimistic people were encountered, in Chile only 29 percent of those polled replied that 1986 will be in general terms better than 1985. Fifty-two percent said there will be more strikes and labor conflicts, and 68 percent replied that unemployment will grow or will be as high as in the past 3 years, when the Chilean economy plunged into deep recession. One out of every five Chileans believes that 1986 will be a prosperous year, two out of five believe that the situation will remain unchanged, and two out of five believe it will worsen. To complete this bleak picture, 52 percent of those polled expect a conflictive international situation, in comparison with 16 percent who expect a peaceful situation. In response to a specific question, 41 percent of the people polled said they are afraid a world war may break out over the next 10 years. [Text] [Santiago Radio Chilena in Spanish 2300 GMT 2 Jan 86 PY/ 12228

PERU

DEVELOPMENT OF ANDEAN FOOD CROPS ANNOUNCED

Winter Wheat Varieties

Lima EL COMERCIO in Spanish 2 Dec 85 p A-1

[Text] Recently, Peru has succeeded in identifying varieties of high yielding winter wheat suitable for the upper altitudes of the Andes Mountains which may very well serve as a basis for promoting the production of wheat in Peru.

According to preliminary studies, these varieties have also turned out well for milling into flour and for bread-baking. The wheat varieties have been developed over the past 15 years by researchers from both the National Cereals Program at the National Agrarian University and the INIPA, working independently.

For example, the National Agrarian University has identified a rather large number of seed varieties which have provided harvests of as much as nine tons per hectare in the Altiplano [upper plateau] area of Peru, which indicates the enormous potential of the region.

The INIPA, for its part, has succeeded in developing five varieties of dual purpose winter wheat (to produce grain and animal fodder), with grain yields of 2 to 3 metric tons per hectare and 5 to 8 tons of animal fodder per hectare which are resistant to yellow blight and frost.

Studies on the adaptation of winter wheat in Peru were begun in 1974, according to Engineer Marino Romero Loli, chief of the Grain Program of the UNA [National Agrarian University].

Specifically, according to Engineer Romero, the first varieties of winter wheat evaluated in Peru were provided to the UNA by the University of Nebraska, in the United States. This led to the UNA being designated as the first national institution to develop and undertake the work on winter wheat.

In 1977 genetic material and support were provided under the Peruvian-Canadian agreement, and the research later continued separately from the Cereals Program but jointly with the INIPA.

Between 1974 and 1983 the experiments were progressively concentrated in representative areas of Ancash, Junin, and Puno Departments, financed with resources provided by the National Agrarian University, with partial support from the International Atomic Energy Administration.

Beginning in 1984, thanks to support from the Peruvian Congress, the National Agrarian University has been provided with substantial resources by the development corporations of Ancash and Puno Departments.

Specialists of the National Agrarian University have stated that, "If the support provided to the production of wheat continues to be favorable, by 1987 we hope to have the first 1,000 hectares of winter wheat planted on the Altiplano and also in certain areas at higher altitudes in Ancash Department."

High Altitude Corn

Lima EL COMERCIO in Spanish 2 Dec 85 p A-13

[Text] Huancayo, 1 December (By a Correspondent)--A new variety of corn for use in the food industry will be made available to farmers by the Santa Ana Agricultural and Livestock Experimental Station in the CIPA XII area of Huancayo Department. The seed variety is called "Santa Ana 501," and is capable of producing corn at high altitudes which is known in the market as "vigorous corn."

This seed variety is in the field testing stage, which is the final evaluation to which it will be subjected in the research process, according to Engineer Walter Salvador Marcelo, director of the Corn Program.

The new variety has produced up to 4.2 metric tons of grain per hectare under test planting conditions. Each stalk has two or three ears of grain, according to Engineer Salvador Marcelo.

He pointed out that the new variety grew well at an altitude of 3,300 meters above sea level, while similar corn is presently being grown in the forests and along the coast.

A farmer in the Mantaro Valley will have a new crop to produce which will contribute to improving his standard of living. The "Santa Ana 501" corn variety will produce grain of the hard, pearl type.

Terraces Built

On the other hand, he indicated that in order to grow crops accustomed to high altitudes in mountainous terrain, the construction of terraces has been begun

in the community of Llacsapirca, where seeds of kanigua, olluco, kevicha [indigenous Peruvian highland plants], potatoes, and fodder crops will be sown.

The work on terrace construction is now 50 percent completed and has stimulated general interest in other communities in the area, due to the encouragement it has given to producing various traditional crops of great nutritional value in our country.

According to specialists at CIPA XII in Huancayo, demonstration and test plots will be planted on the terraces in Llacsapirca to try out the agricultural behavior of each species of mountain plant.

The seeds which will be used in these terraces will come from the seed bank at CIPA XII in Huancayo, in the framework of the Andes Mountain program for agricultural and livestock production.

Incentives for Wheat Production

Lima EL COMERCIO in Spanish 2 Dec 85 p A-7

[Text] The future of Peruvian production of wheat depends at present primarily on the farmers, rather than the state. This was stated by Engineer Marino Romero Loli, chief of the Grain Program of the National Agrarian University.

He indicated that for the first time the farmers will have the necessary incentives in terms of production, sales, technology, etc, to promote the cultivation of wheat.

He pointed out: "For example, they have an extremely attractive price for their crops (3,600 soles), cheap credit with an interest rate of 19.25 percent, improved winter wheat seed and advice on cultivation techniques, and a sure market. (The ENCI [National Enterprise for Industrial Marketing] is obligated to buy any wheat which the farmer cannot sell commercially.) The farmers will also benefit from the requirement for a higher wheat milling percentage (87 percent)."

He said that the lack of incentives and the total indifference displayed by state organizations resulted in the fact that wheat production, rather than increasing, has been slowly declining to less than 100,000 tons annually, while imports have risen to nearly 1 million tons annually.

He made it clear that this did not mean that the state had lost interest in the problem but, on the contrary, was strengthening its efforts to promote wheat production and provide additional technical assistance to the farmers. He then pointed out: "Now the situation has changed. It has become necessary at the same time to bring about a change in the attitude of the farmers."

He said that this is a task in which everyone should take part, from banks and other institutions providing credit to the universities, the government, and industrial enterprises.

PERU

INDEPENDENT SENATOR CRITICIZES APRA ECONOMIC MEASURES

Lima EL NACIONAL in Spanish 25 Nov 85 pp 11-12, 21

[Interview with Senator Enrique Chirinos Soto by Oscar Chirinos Davila; date, time and place not given]

[Text] Without any fear of being labeled or branded a "right-winger," independent Senator Enrique Chirinos Soto, elected in the "Democratic Convergence" coalition, termed President Garcia's price and exchange control policies, in addition to the subsidy, an egregious error. He advocated the liberalization and stimulation of production as a means of overcoming the economic crisis.

Interviewed by EL NACIONAL, the senator contended that the Belaunde administration's policy was not liberal, but fundamentally inflationary. He also noted the need for agreements among Popular Action (AP), the Popular Christian Party (PPC), MBH and the non-APRA and non-Marxist sectors to build a "center-right" front to pose a real alternative to the American Popular Revolutionary Alliance (APRA) government. He also mentioned the names of Eduardo Orrego and Luz Alvarez as the most likely candidates from that segment of the political spectrum to run for mayor of Lima.

[Question] Do you agree with President Garcia that things are improving in this country?

[Answer] Well, some things are, right? The improvement is superficial.

[Question] Why superficial?

[Answer] The improvement is superficial because the government is resorting to price controls and subsidies. It is nonsense, for example, for the agriculture minister to claim that the price of chicken has come down, when there is none of that meat on the market anymore. In the Senate I criticized the payment of subsidies on dairy products. What is the purpose? To bring down prices. What is the result? Gloria and Enci milk are now being sold for a song in Arica. So the subsidies we Peruvians pay for are benefiting the Chileans.

[Question] Does that mean that the price and exchange control policies have not had positive effects in the country?

[Answer] No. That policy is devastating; it spells doom. Because if the policy works, production retracts, shortages increase and in the end prices rise. And if it does not work, it leads to black marketing, where prices are higher than on the legal market.

[Question] Don't you believe that the reduction of inflation is real either?

[Answer] Well, we reached a very high level of 11 percent in July under Belaunde, but that would have come down by itself. Now, what I don't understand is why in successive months inflation has hovered around 3 or 4 percent, and inflation is expected to total 40 percent--with or without controls? Of course there are no controls, because inflation persists. Perhaps it is lower, as I mentioned. But inflation cannot be eliminated by decree, much less wiped out overnight.

[Question] Do you suspect, as some economists and businessmen believe, that inflation is being dammed up?

[Answer] I don't know whether inflation is already dammed up, but it is beginning to be. So is the exchange rate. How long can the official exchange rate remain at 14,000 something sols, as it is now? Will they decide to turn it loose in December? Perhaps not. Then they will have to let it loose in March, with catastrophic results. Or in July, with even more disastrous consequences, because the laws of economics are iron laws that cannot be flouted so easily.

[Question] Despite President Garcia's express intention of continuing to control prices and the exchange rate, and to continue subsidizing products, among other things?

[Answer] That is the error. The error lies in controlling prices and goods. What should be done is to promote production, stimulate production. And that can only be achieved through a policy of free prices. This government, which claims to be a government for agriculture, is turning out to be an enemy of agriculture, as we can see in the case of corn. To bring down the price of chicken, which is consumed by only a small segment of the population, they lowered the price of corn, to the detriment of farmers. To prevent the ruination of this sector, "refuge prices" had to be given. That is a subsidy. Then all Peruvians will have to pay for the supposed decline in the price of chicken, which the government hails in the monthly inflation indices.

[Question] Nevertheless, Senator, as economists and politicians maintain, the previous government practiced a non-control, liberal policy, which also yielded catastrophic results. What do you have to say about that?

[Answer] Well, I could not call Belaunde's policy liberal, because for example, he kept the state bureaucracy and enterprise apparatus intact. So that was not a liberal policy. Much less was it a monetarist policy, as has

been claimed, because the Belaunde administration was an inflationary government, fundamentally inflationary.

A "monetarist" policy would have entailed rigid budget-balancing measures and strict control of the only thing that should be controlled: money printing.

[Question] In between the economic policy the APRA government is pursuing and that which was implemented by the AP administration, what would you recommend?

[Answer] I would recommend, first of all, a policy of stimulating production, as I said earlier. In the second place, a policy of more orderly public finances. That does not exist. For example, in Congress we are automatically passing--without my vote, of course--special credits of millions of sols. That means that there is no budget. That means that every time the government needs money or has spent it, it simply asks Parliament for a supplementary credit.

[Question] With what are those loans paid, Senator?

[Answer] Since we have a deficit, those loans are inevitably paid for with the "little machine," that is, by printing bills. This depreciates the currency and contradicts the policy that is supposed to favor the vast majority of the population.

[Question] The government denies that the "little machine" is being used, however.

[Answer] We will have to look at the statistics of the Central Reserve Bank (BCR). But I wonder where they will get the money from. It is true that the gasoline price hike has given some financial relief, but how long will that last?

[Question] Hasn't the non-payment of the foreign debt provided a respite as well?

[Answer] Yes, of course, because in the Belaunde budget the entire payment of the foreign debt was taken into account, although they did not pay it. In the new budget of the APRA administration the 10 percent payment will appear, but they will suddenly find themselves unable to pay that either.

[Question] What do you think of Alan Garcia's administration?

[Answer] Well, I have said that President Garcia has personal qualities that no one can deny. His dynamism, his youth, the hope he has inspired, his desire to get things done, his voluntarism--all this is great. All this is positive. But it also needs some grounding in reality. And in some respects, that too has begun to happen, right?

[Question] For example?

[Answer] Like what I heard him say several days ago when he said that "no one works at a loss." That's the way it is. If the government imposes controls

that cause farmers to operate at a loss, they will simply cease to operate; they will not plant. Then the shortages, known by the misnomer "supply deprivation," will be terrible.

Realism in Petroleum

[Question] Do you believe that the government has begun to act realistically in the petroleum sector?

[Answer] It appears so, because first they jumped headlong into the pool, but now they are saying they will reach a settlement. We shall see. I don't want to try to predict the outcome.

[Question] Was the government right to rescind the oil contracts?

[Answer] Well, that is a technical question. I don't know whether the rescission or the resolution of the oil contracts falls under the Civil Code. I am more concerned about this, however: In Peru we have two oil companies, which may stay or leave. Colombia, on the other hand, has nearly 160 contracts signed with oil companies, and Ecuador has more than 30. I wonder if in a few years we will have to start buying petroleum from Ecuador. Is that any way of assuring the country's independence, with such a key product as fuel?

[Question] In this case, what solution would you propose?

[Answer] What I have always thought. An oil policy of attracting foreign capital, while defending and respecting Peru's own interests.

[Question] But Doctor, that is a very general position . . .

[Answer] It is a very general issue. That is why the contract goes into these questions clause by clause. What will the state's share be? What taxes will be required of the oil companies? What I can tell you is that the Peruvian tax system, as it stands today, is much harsher than those of Ecuador, Colombia or China. Naturally, no company comes to Peru. And the situation will grow worse as the price of petroleum falls.

"I Am in the Center-Right Opposition"

[Question] When you criticize the government, from what standpoint are you coming?

[Answer] From the opposition.

[Question] From the right-wing opposition?

[Answer] From the center-right opposition. From the non-Marxist opposition.

[Question] Don't you fear the label "right-winger," with which you have often been branded?

[Answer] No.

[Question] What does it mean to be on the right, or to accept the label "right-winger"?

[Answer] They call me a rightist because I am a man who believes in order, in the law, in liberty under the Constitution. Now if by "right-winger" they mean "fascist," I do not accept that because I am not a fascist. I am a full-fledged democrat, a constitutionalist, someone who respects the law. If that makes them call me a right-winger, I don't care.

Opposition in Disarray

[Question] What do you think is the outlook for the opposition at present?

[Answer] Well, the opposition is still in disarray because of the unexpected victory of Alan Garcia. The leftist opposition is completely overwhelmed by the personality of the president. The left, I would say, is sinking and leaderless. And the center-right opposition is waiting.

[Question] Waiting for what?

[Answer] For the government's "honeymoon" to end, what Mitterrand has called the "state of grace," the time when many excessive illusions that have been placed in the new government dissipate. And then, the opposition will have many things to say.

[Question] Do you think that in the future there could be agreements between the forces that formed the "National Convergence" and Popular Action?

[Answer] I don't know, but there certainly should be.

[Question] For what purpose?

[Answer] To form a front and oppose APRA with just one center-right front.

[Question] Seeking electoral bipartisanship?

[Answer] Seeking to pose a non-Marxist alternative to the APRA administration.

[Question] Do you think it is likely that, if the center-right forces do not come together, the only alternative to the APRA government will be the Marxist left?

[Answer] I do not contend that.

[Question] I am asking you . . .

[Answer] What I am saying is that an alternative that already exists within the electoral framework must be built, a center-right alternative.

[Question] With AP, with the PPC, the MBH . . . ?

[Answer] . . . And with all those in Peru who are not Aprists or Marxists.

[Question] According to what you are saying, do you believe that the independent people who voted for Alan Garcia's image would return to their natural place in supporting the center-right front?

[Answer] Yes. It would depend a lot on the candidate, just as Alan Garcia's candidacy depended so much on his charisma. We would have to find a charismatic presidential candidate.

[Question] Belaunde, perhaps?

[Answer] Well, that will depend on whether he wants to, and whether God gives him life and health.

[Question] Belaunde or Bedoya?

[Answer] Belaunde, Bedoya, or new people.

[Question] Who, Dr Chirinos?

[Answer] Well, there are several. I think a good test will be the municipal elections next year.

[Question] Do you have someone in mind as a mayoral candidate?

[Answer] No, . . . no. I have heard several names that are interesting. For example, Eduardo Orrego Villacorta, or Luz Alvarez de Schultz. I have heard that from the PPC side.

[Question] Do you think the center-rights will probably join together to support a single candidate for mayor of Lima?

[Answer] As I said, I think they should. I don't know if they will want to do so, but they can. I don't know how likely it is.

Government's Achilles' Heel

[Question] What, in your opinion, is the government's Achilles' heel?

[Answer] Its economic policy . . .

[Question] Which no one is familiar with . . .

[Answer] . . . Which no one is familiar with and which began with a lot of fanfare, and has only two correct points: raising the prices of gasoline and the dollar. If that policy is unleashed in December, as I said, or worse yet in March, then that is a very short-term crisis.

[Question] Would the government have to liberalize exchange controls, and savings in certificates and foreign currency?

[Answer] Yes, that's right . . . that's right. The government would have to promote savings, provide guarantees to savers and regain confidence, a very difficult thing to do.

[Question] Do people lack confidence in savings?

[Answer] There is a total lack of confidence, because people were told at one time that their dollar savings would not be touched, that people who left their savings in dollars in Peru would not be penalized. And they are being penalized. And savings are being touched, because their value has been frozen and converted to a fixed rate in sols. I think it will be hard to win back these people's confidence.

[Question] As a member of Parliament and a political analyst, what is your view of the cabinet?

[Answer] Well, the cabinet is almost entirely bureaucratic. It is a cabinet . . .

[Question] That is strictly subordinated to President Garcia?

[Answer] I would not say subordinated. I don't think that's the right word. But I do believe that it is a cabinet without independence, without autonomy.

[Question] In your own estimate, which minister is performing his functions best?

[Answer] I don't want to condemn the Council of Ministers as a whole. Luis Alva Castro is doing what he can as chairman of the cabinet and in the very difficult role of minister of economy and finance. I also think Allan Wagner is doing good work. I think a diplomacy of rapprochement with Ecuador and Chile to nip the arms race in the bud is a highly risky policy. By pursuing that policy, in fact, the foreign minister is giving priority to a matter that should be given priority: our relations with our neighbors.

No Ties with North Korea

[Question] Deputy Carlos Roca has stated that we should strengthen our ties to North Korea. What do you think about that?

[Answer] Well, if relations with North Korea did not endanger our trade with South Korea, I wouldn't say anything. But in view of the fact that South Korea is one of our major customers, buying much more of what we sell, if we jeopardize that for an ideological "plate of beans" then we are not benefiting Peru. Foreign relations should serve the country, not ideologies or friendships.

Foreign Debt

[Question] Along other lines, Senator, what do you think of President Garcia's proposal on the foreign debt?

[Answer] I think his position is correct, because we cannot pay the debt as it was originally contracted. To say, "I am willing to pay, and I will pay up to 10 percent," seems right to me. One problem I see in our diplomacy is that we did not hail the "Baker Plan" as a step in the right direction. The Baker Plan, although not entirely satisfactory, implies that the United States Government is beginning to face the foreign debt problem. In other words, this problem is becoming a political problem between governments, and not just a problem between the debtor nations and the international banks.

[Question] What is your assessment of the government's position of renegotiating the payment of the foreign debt without the intervention of the International Monetary Fund (IMF)?

[Answer] The problem with that kind of attitude is that it is rigid. If Peru says it will never negotiate with the IMF, I think that is a rigid attitude. The time could come when it would benefit us to negotiate with that institution. That position could be modified by saying that we will not negotiate with the IMF under this or that condition, to leave the door open and permit a dialogue under other circumstances.

So I would simply say that I do not agree with such hardline statements on foreign policy or monetary or credit policy. One should always make statements that seek some leeway.

[Question] Perhaps the designation of Dr Cesar Atala as ambassador from our country to the United States will improve the government's position?

[Answer] I certainly believe it will. Atala is a flexible man, and an ambassador, a diplomat should always be flexible.

[Question] Something like Armando Villanueva in APRA?

[Answer] Something like Armando Villanueva in APRA, in the sense that although he is reputed to be a hardliner, Armando is actually a flexible man.

8926

CSO: 3348/274

PERU

APRA PARLIAMENTARIANS SEEK IMPROVED PARTY DISCIPLINE

Lima EQUIS X in Spanish 9 Dec 85 pp 18-20

[Article by Benjamin Odriozola]

[Text] When a political party takes office after long years of pursuing that end ceaselessly, the responsibilities seem very great. And if the leader of that party, as in the case of the American Popular Revolutionary Alliance (APRA), is as clearly dynamic a chief of state as Alan Garcia is, then the responsibilities and the pace of party leaders must accelerate significantly. Naturally, this is difficult to keep up. This is what seems to be happening in the legislative chambers, where the members of the APRA parliamentary delegation do not yet appear to be able to keep pace with the president. This situation, added to the conflicts that have arisen over differences in temperament in a bloc as large as APRA's in the two houses, has led to the adoption of adjustment measures to coordinate and discipline the Aprist Parliamentary Bloc (CPA) more effectively.

Indeed, just a short time ago the Board of Directors of that bloc, headed by veteran APRA workhorse Fernando Leon de Vivero, approved a series of norms to complement the CPA bylaws for the purpose of streamlining its work, fomenting better coordination between the executive and legislative branches, and invigorating Parliament's operations.

These norms stipulate that the discipline secretaries will monitor attendance at weekly CPA meetings. And although they allow the session to begin with whatever number of members is present, their attendance is strongly encouraged by fining those who fail to appear. For every unexcused absence, 100,000 soles must be paid. And having to attend committee meetings is not regarded as a proper excuse for absence, because the day and time have been selected to avoid any conflict with those duties (every Monday at 0930 hours).

Higher Yield

In order to obtain a higher yield from the delegation members, the regulations provide that **/"in all CPA sessions, preference shall be given to criticism, mutual criticism or self-criticism, of work in the houses"/** [passage enclosed in slantlines printed in boldface].

The CPA is made up of all the senators and deputies who belong to the party. Its sessions will also be attended by the ministers who are invited, or the representatives of the executive branch, to discuss matters related to the agenda, within their jurisdiction. Last week one of these expanded meetings took place, in which a number of criticisms of various ministers were reportedly discussed in a fraternal exchange of views.

To give the CPA sessions a truly organic nature and to prevent a free-for-all which would hamper their work, each session will have an agenda drawn up by the Board of Directors and made available to the delegation members in advance. The points to be included on the agenda will fall under these categories: a) general issues, b) issues related to the Senate and the Chamber of Deputies, and c) issues brought up by the members of the CPA, as long as they have been proposed before the debate.

More Work, Less Talk

An effort has also been made to prevent the members from continuing their bombast outside the legislative chamber with ceaseless streams of oratory. For that purpose, when debate begins on the points included in the agenda, members must sign up to speak on the issue at hand. The chairman will yield the floor to each of the registered speakers for a maximum of 5 minutes. If one speaker has the same or similar views as previous speakers (obviously to prevent useless redundancy), he must decline to take the floor. If a speaker's name is mentioned by another, however, he has the right to respond for 3 additional minutes. Any interruptions allowed by a speaker will be included in his allotted time.

In order to save time, the chairman or leader of the debate may consider the matter fully discussed at any time he deems appropriate, and put it to a vote.

On the other hand, the CPA Board of Directors, which holds meetings every Thursday at 0830 hours, will keep a strict record of the attendance, work, and behavior of each member of the APRA parliamentary bloc, through the discipline secretaries. This record will be taken into account when determining future appointments to leadership posts in Parliament.

The Board of Directors will also intervene to clear up matters related to criticism of the behavior of CPA members. In addition, it will coordinate with the APRA parliamentarians to ensure consistency in their statements to the press, so that the CPA's image is uniform. Furthermore, the CPA puts out an Information Bulletin on its positions.

8926

CSO: 3348/308

PERU

BELAUNDE MAKES FIRST CRITICISM OF GARCIA ADMINISTRATION

Lima OIGA in Spanish 16 Dec 85 pp 22-28

[Interview with former President Fernando Belaunde Terry by Alvaro Vargas Llosa; date, time and place not given]

[Text] After 5 months of silence, Fernando Belaunde, twice president of the republic, feels that the "state of grace" has ended for Alan Garcia, and has decided to break his silence. In an exclusive interview, he responded to the harsh criticism of his second administration, and assessed the current government. Belaunde believes that Alan Garcia is a good orator, but that the harangues from the balcony are becoming a "dangerous incitement to violence." What happened in Arequipa as a result of the halt of Majes, said the architect, is an example of that. Belaunde even said: "All my life, what I have tried to do is avoid putting a weapon in the hand of some assassin." On the other hand, he believes that in the area of petroleum, this government has created problems for itself that did not exist before. Behind the rhetorical announcements, he sees an "under-the-table deal" between the American Popular Revolutionary Alliance (APRA) government and the foreign companies, and noted that this deal will soon come to light. Belaunde responded to criticism of his government by stressing that "the current government spends all its time defaming the previous government, forgetting that to govern is not to defame, but to build... Peru has had too many dictatorial regimes for the one that was decidedly not dictatorial to be a target for attacks."

FBT also expressed his concern about the challenge to the autonomy of the branches of government, and about the consequent threat to the institutional order. Here are the highlights of the interview.

[Question] Mr Belaunde, it is clear that the APRA government wants to put a barrier between what happened in the previous 5 years and what will happen in the future. Projects linked to your administration have been halted; several men in your government have been accused of corruption; and the APRA rhetoric in general is unforgiving of the past. There is a sort of policy of breaking with the past. What is your reaction?

[Answer] The paralyzation is totally unjustified and extremely harmful. The previous administration was as institutional a government as this one, and no one should cast aspersions on a legal, constitutional and correct government.

This does not mean that we did not make any mistakes, or that certain people or certain enterprises did not commit illicit acts. That policy of casting aspersions on my government, and in general the policy of besmirching any legal government, only serves the cause of the enemies of democracy, who contend that democracy is a corrupt system. A dictatorship is much more corrupt than a democracy, and what is worse, a dictatorship clamps down with such a firm grip that no one ever hears about the corruption. Democracy is not a government of angels, because this is not a world of angels; but a democratic government is the best guarantee of probity in a country.

Probity in institutional procedures, and in the independence of the judiciary, which I think is fundamental. I never blamed my own actions on the past, in contrast to what has been said recently. This government should not do so, either.

[Question] But APRA is constantly at loggerheads with Popular Action (AP), to the extent that it appears that the campaign battle is still going on. Regardless of whether the attacks are justified, do you believe that old grudges are being brought up again, or that an attempt is being made to distract attention and set up a smoke screen?

[Answer] The hostile and aggressive attitude that is regrettably seen in this government all too often, with respect to a government such as ours which, in a historic event--certainly unprecedented for APRA--turned over the reins of power legally, should be the subject of a psychological study. APRA has always been indulgent with dictators and offensive to democracies and democrats. APRA was not only indulgent, but familiar and affectionate with its former persecutors, not so much in the so-called "coexistence" as in the famous "coalition" that created so many obstacles for my first term. It was forgotten, of course, that Gen Odria had had the temerity to issue a decree declaring the chief of APRA "undeserving of Peruvian nationality." Among the few voices that rose up in protest against this indescribable affront, I am proud to say, was my own. But Aprism has been indulgent and complacent toward those who excluded it from government, and has assumed precisely the opposite attitude toward those who, true to the democratic creed, opened the doors of power to it. Perhaps it cannot forgive us for achieving a place in Peru's republican history that no one can take away from us. During these 4 months, we have suffered stoically under all kinds of attacks from those who have not yet grasped how important we are to them. We take note of that attitude. But no one will cover up the story of a party that, over a period of 30 years, entered the government twice through the big door, a door that it did not lock on its adversaries afterwards.

[Question] APRA, however--and the left--accuses the AP government of immorality, something which is now being investigated. Ministers who had your confidence, such as Chaves Belaunde, Pestana, and others, have been accused of corruption for the purchase of the "Mantaro" and "Pachitea" motor boats. Elias Laroza is accused for "Guvarte." Kuczyniski is accused of protecting the interests of the United States and the foreign companies in the petroleum law. These accusations are reaching the highest levels. What do you have to say about that?

[Answer] Look, as for morality, let's go to the roots: The basis of morality lies in adherence to the Constitution, in the legitimacy of institutions. A government is immoral if it conspires against true suffrage; it is immoral if it arranges a coup to prevent its successor from taking over. We have not been involved in that farse. We were a profoundly moral government, and from the civic point of view not a single black mark can be given to my government. We were profoundly respectful of the judiciary, and it never occurred to me to question its autonomy, because I understood that it was my best guarantee and it kept my conscience clear. The state machinery, of course, is not immune to abuse, but that is why there is a judiciary, which was autonomous under my government, and none of my ministers was ever challenged by the judiciary. The political or journalistic mud-slinging has no basis in fact, and my respect for the authority of the judiciary is sufficient proof that there were independent institutions that could oversee the government. And my government was never accused of corruption. Anyone who now makes that accusation is obviously not aware of the autonomy of the judiciary during my administration. We built thousands and thousands of homes, and we were able to give all our followers homes, especially considering that my party is one of economically modest people; nevertheless, we opted for the system of awarding homes by drawing lots, using the national lottery. This allowed Aprists, communists, independents, and to a small degree AP members, to own property. Now if there was any cheating or dishonesty in the distribution by state agencies, that is the responsibility of those who committed the wrongdoing, and not in any way that of my government or my ministers. That tendency to blame my ministers for the acts of autonomous enterprises that fell under their jurisdictions is foolhardy. If the ministers are going to be held responsible for the legal internal acts of each state enterprise, then they will no longer be ministers but will become super-managers of all the enterprises. . . . And the current ministers will encounter this situation when they are called on the carpet for actions taken by boards of directors with which they are hardly even familiar. I repeat: To govern is not to defame, and this government should understand that.

[Question] A number of projects that this administration calls burdensome and unproductive have been halted. These shut-downs have also been accompanied by heady rhetoric designed to enlist the public in the cause of halting certain projects. Some of them need more money to be completed, and others are already close to completion: Majes, Charcani, the Cantogrande prison, the Ayacucho pediatric clinic. . . .

[Answer] My great concern, my anxiety, is the paralyzation of the labor force. I am not talking about the "economically active population," which is a very broad term. I am referring to the skilled workforce, that which has contributed to the major electrical projects, the people who built the Restitucion plant, those who built the Mantaro lines to connect the electricity network, those who built thousands of homes, the Condoroma dam, the Tintay dam. It is said that money should not be spent on highways; that is a tremendous mistake. Peru has a number of trunk lines that are not paved, and an axiom of highway engineering is that asphalt is not an expense, but a recoverable investment that saves money on vehicles, time and fuel. The State Petroleum Agency (PETROPERU) produces asphalt, and it can be used as a matching contribution for international credit. In short, the paralyzation of

the labor force poses a grave risk to the economy, and is unfair to those dedicated Peruvians. They should stop halting projects and use their imaginations to solve financial problems, which are not insurmountable. We have abandoned highway contracts with the IDB and the World Bank. Why reject productive credit?

[Question] And a project such as Majes, for example, which has turned out to be much, much more expensive than originally projected. Isn't that. . .?

[Answer] What has been said recently about Majes is false.

[Question] But what about the demonstration by locals in Arequipa calling for the interruption of the project?

[Answer] Very soon, I assure you, the Arequipans themselves will flock to the Plaza de Arequipa in large numbers to demand that Majes continue.

[Question] Is it a challenge?

[Answer] One could say of Majes in Arequipa what Mumford said about the language: It is a collective work. It is an old aspiration that has taken shape. Since pre-Inca times, the south has been noted for its expertise on water and irrigation matters. I noted once that just as in Kahun, Egypt, a community was built to house the slaves who were building the funereal pyramid that would exalt the vanity of the pharaoh, at the foot of Pichu Pichu the ancient Peruvians built Churajon, a community that housed the workers who built the famous channels to fertilize the land during the festival of ayni. Ours was a monument to life, the other a monument to death. . . The Arequipan peasant has proven that he masters the earth; he has reaped fruit from the desert. And this has been reproduced in the Majes Pampa, as far as the live-giving water has reached. My government accomplished no loftier feat than that of opening the valves in the desert and dedicating the reservoir of the "monument to water," putting the first 3,000 hectares into full production. This land was wrested from the desert through the tenacity of the peasants. Sutton visualized the general features of the project, and later, during the Bustamante administration, Senator Bustamante de la Fuente and I signed the first bill for irrigation at Majes. The president signed the bill into law, with the unanimous support of the APRA parliamentary delegation. Odría ordered Chavez Diaz to bring the plan up to date. During the era of Dr Prado, the Electro Consult firm came in, and later I commissioned that firm to do the final study. Gen Velasco's government contracted for the execution of the project with credit and technology from five friendly nations that joined together to form "Macon," which was in charge of the construction. No one opposes the investigation of that contract. What I do oppose vehemently, however, is the paralyzation of that project, which dates back so many years. In 1980 I inherited 120 kilometers of tunnels and channels that were practically finished. The indispensable Condoroma dam had not yet been built, and the infrastructure is inoperable without it. The opening of the gates and the founding of the city of Majes are eternal memories for me. When the dam was dedicated, international attention was drawn to this project, as symbolic as it was productive. Thus, I can state that no offense, no verbal excess, no political mishap can detract from the majesty of this historic work. The

credit goes not only to me, but to many governments. It is incomprehensible for this project, which Arequipa demanded for so many decades, to be brought to a halt when it is so close to completion.

[Question] The current government has also rescinded contracts signed under laws promulgated during your government. For example, the petroleum contracts have been rescinded, and the "Kuczinsky Act" has been accused of benefiting the oil companies. . .

[Answer] That is absolutely untrue. I believe that one of the most serious mistakes this government has made has been to create the petroleum problem, which did not exist before. We must look at the situation in relative terms: Colombia and Ecuador—not to mention Venezuela, which is a major power in this field—have opened their doors; it is well known that their legislation offers better terms than Peru's. Our law is very harsh. The so-called "Kuczinsky Act" deals with reinvestment. It made it possible to reinvest in petroleum, which was not done before even though it was allowed in other activities. Thus, it is not true that payment has been stopped, because that tax credit would have been used for hotel or real estate activity, for so many things that were entitled to receive the tax credit. The reason why the privilege was extended to the petroleum sector (that is, the oil industry was placed on an equal footing with other industries) was that the decline in petroleum meant a reduction in the companies' liquidity. They no longer enjoyed the abundance they had had when petroleum cost \$45 per barrel. Peru could not be deprived of oil production. To dredge up this problem again is very rash, in my opinion. I am certain that, in the long run, the conditions will be better for the companies. I don't know whether it will be in terms of tax credit, shares, or percentages. They will be given more advantages.

[Question] According to the government, the companies will be deprived of undue privileges. . .

[Answer] I know that the companies will come out ahead in all this. And the truth will be known, because here everything comes to light sooner or later. The country must not forget that I was slandered—or they tried to slander me—over the issue of petroleum and the International Petroleum Company (IPC), and in the end, those who tried to slander me in the most cruel and vicious way were actually punished by fate. I had in my hands the copy of the check with which the IPC was paid. This will happen again. The under-the-table deal may be concealed for a while, but in the long run we will reveal the truth.

[Question] APRA has implemented an economic plan based on controls. In the beginning, it was an "emergency plan," but now it is clearly a "structural emergency," since the plan has not changed. This plan gives priority to voluntarism over rules of procedure, and to controlling costs and prices. Inflation has, in fact, declined. The question is, will the economy and production revive, or is this policy recessive in the medium and long terms?

[Answer] The productive apparatus is extremely sensitive, and it cannot be reactivated with words, only with movement. The recent actions of this government have created problems for us with no fewer than eight powerful,

industrialized countries that in one way or another have transferred credit and technology to Peru. I know that there are profit motives behind investment and credit, but a country like this cannot afford to close the doors to investment if it wants to get ahead. Rescinding contracts unilaterally with so many countries is foolhardy. The powerful nations operate in concert; furthermore, the governments back up their companies, so the problem is even worse.

[Question] Concerning what you said about investment, do you think price controls can contain inflation permanently, or that they can be compatible with growth?

[Answer] Well, I do think the concern is justified. A variation has been tried, but the crisis has not changed; it is still being combatted. Politically, in the beginning, the stabilization plan is viable, but economically it is dangerous, because it means damming up, and damming up causes the dam to crack. What this government has done is to change the order of factors, and to forget that the important thing is to resolve the crisis, not change it. I agree with the stability of the dollar and of the price of gasoline; I do recognize that.

[Question] But during your government, some economy ministers made the price of gasoline the principal source of financial revenues for the state. . .

[Answer] That's right. It is a way of assuring the state of revenues. It is a sure but cruel way of ensuring revenues. I do not criticize President Garcia for searching for alternatives. What I am saying is that we must be aware of the danger of those alternatives. We will see how long the dam holds out. And I do not see a rosy future for Peru. In the short term, minerals prices have fallen dramatically recently. . .

[Question] Still referring to the economy, what do you think of the freeze on dollar savings?

[Answer] I completely disapprove of that measure. Under my administration, dollar certificates were honored. I understand that there is an emergency. What I am concerned about is that this government is creating its own emergencies with its policy. It lacks a vision of the future, caution, etc. It rescinds contracts, so it is difficult to obtain new contracts. It adopts a rigid position with respect to the debt, and as a consequence the doors of credit are closed to it. That is why the reserves are in jeopardy, and that is why attention has focused on savers' dollars. But this causes tremendous damage to the saver. Now I would recommend that the government exchange the certificates, for example, for government bonds in dollars, with guarantees by the government itself and relatively short terms. They could be amortized by drawing lots. . . The saver has been the victim of extortion, and this deceit is absolutely inexcusable.

[Question] What, in your opinion, should the APRA government do in the economic sphere?

[Answer] I want nothing more than the success of the APRA government, because the country's success depends on it. That is why I am criticizing it. I challenge the current administration to build more homes than Popular Action did, and I know they have the resources to do it because we left them those resources. In terms of housing, we left this government a short-term mortgage portfolio of 800 billion soles, which any bank can discount, especially considering the influence the government has on the banks and its interference in the banking system.

The Garcia administration should build more roads than we did, install more kilowatts, finish Charcani and Carhuaquero, bring the transmission line to Tumbes, build the second stage of the Pativilca plant, build the Paucartambo plant in the central region, build a plant in Canete, build the first plant in Majes, in short. . .

[Question] Another serious problem facing the country is terrorist violence. But let's look back, to the beginning of your government. You are criticized for failing to call in the military soon enough to combat terrorism, and for not stopping the excesses when the military was finally called in. What were the reasons for not calling in the Armed Forces at the beginning, and what relations did the government have with them during the antisubversion campaign?

[Answer] I believe I was right in being a little reluctant and cautious, even though we knew that the police did not have the resources to cope with a problem of this magnitude. We also knew that the police were liable to be excessive, and that was why the elements that did behave excessively were punished. But I also knew that the Armed Forces are prepared for war, while the police have more daily contact with society. In an emergency situation, the military cracks down severely because its personnel are used to carrying out orders. Since they are responsible for public order, they often cannot afford to give the benefit of the doubt. This always worried me. But when I finally did call in the Armed Forces, I assumed responsibility. I was often at the center of the operations during difficult times, and in an international incident I was also right in the middle of the hostilities, right where the action was, and I gave written orders that are published in my report. With both Gen Noel and Gen Mori I backed up the Armed Forces. It is not fair to foist national responsibilities onto that institution, as is being done now. Although the cases of unfortunate errors or wrongdoings are well known, no one knows for sure how much damage was prevented thanks to military action in the emergency zone.

[Question] But right now there is a problem of not just terrorist violence, but also common violence, that is manifested in the daily kidnappings. . .

[Answer] That, unfortunately, has a lot to do with the uncertainty and with the paralyzation of the labor force. I do not want to justify everything with that explanation, of course, but I believe that the fact that so many youths are out of work and there are no rules to give the public any certainty about its immediate future destabilizes the situation to some degree.

[Question] One sector of the opposition press and of Popular Action and Popular Christian congressmen has severely criticized the APRA government for exerting pressure on the branches of government, and in general, for its tendency not to show complete respect for the constitutional order. There are many examples of interference by the executive branch in bills in Parliament, etc. . . .

[Answer] Indeed, it would be tremendously harmful to the country. I am a fervent believer in maintaining strict autonomy in the various branches of government, since that is the basis of the democratic system. The branches must be independent. In Parliament, of course, where APRA has a majority in both houses, there can be no talk of autonomy. During my first term, I had an adverse majority thanks to the so-called "coalition," and in the second term we worked with the Popular Christian Party (PPC) to attain a majority. The constitutional order must be scrupulously observed, and at no time should the autonomy of the judiciary be questioned. This is the first condition for the legality and "morality" of a government. This is something that those who are now trying to slander us should understand. My government zealously guarded the juridical order.

[Question] Some feel, Mr Belaunde, that we are isolating ourselves from neighboring countries that have better relations with the United States than we do. On the other hand, it is announced that several Peruvian embassies will be opened in foreign countries, probably including North Korea. . . .

[Answer] International relations are no longer matters of the Foreign Ministry, of protocol and embassies. There is an interdependence, and economic relations affect governments. We are now confronting the commercial banks. After all, the commercial banks have the United States as a government guarantee, which means that we are making big enemies, and for no reason. I do not believe that we should continue spending money on embassies here and there, or that we should deal with an issue as thorny as economic relations among nations as if it were a mere rhetorical problem. It is not rhetorical; as in physics, in politics every action causes a reaction. . . .

[Question] The press always oversees politicians, while in a democracy the politicians rarely oversee the press. What do you think of the press' behavior toward the government?

[Answer] During my administration, the sensationalist press spent all its time attacking us without quarter. That could be justified as a means of controlling the government. But curiously, today the sensationalist press is not acting as a watchdog with the current government; it is attacking my government. So that attitude can no longer be justified as a measure of control or opposition. As for the serious press, I have no objection. It is managed with caution and prudence.

[Question] The government has declared that paper should be considered a "strategic product," and therefore it is the state that should produce and distribute it. Couldn't that affect freedom of the press in the long run?

[Answer] Nothing that affects freedom of the press seems justifiable to me. We already know that in one American country that is the way free opinion is controlled.

[Question] How do you see the political future of AP, Mr Belaunde?

[Answer] In 1990 the ball will be in our court. In this game it is Garcia's serve--with all the risks that entails (laughter). But we are waiting for our serve.

[Question] Will AP run a candidate in the municipal elections next year?

[Answer] Well, I am not really in favor of participating in those elections, but that will be discussed; there are other respected opinions. I think that the 1989 election is important.

[Question] Will AP remain alone, or will it join with other forces in the center?

[Answer] It is too early to say. I have always favored joining efforts. But there is time for that. We must not precipitate anything. Next year's elections do not interest me much, because winning them would create a comparison between the APRA administration's accomplishments and those of the Popular Action administration. During my government, I saw no problem with that comparison, which worked very well. But those were other times. . .

[Question] What is your impression of Garcia Perez as an individual? What is your impression of his "ways," his "gestures" and his "balconazos" [balcony appearances]?

[Answer] Look, I recognize that Mr Garcia has some charismatic traits. He is an excellent orator. In his oratory there are certainly some very juvenile elements. A speaker, nevertheless, must have a profound sense of his responsibility, because oratory can be an incitement to violence. What I have tried to do all my life is avoid putting a weapon in the hand of some assassin. All that is too recent for us to forget it.

[Question] Was what happened in Arequipa excessive, in that sense?

[Answer] There have been very regrettable excesses in that dialogue, and the respectability of the republic's institutional life has been severely compromised. Peru has had too many dictatorial regimes for the one that was decidedly not dictatorial to be a target for attacks.

8926

CSO: 3348/308

PERU

GOVERNMENT TAKING CALCULATED RISK IN SUPPORTING SANDINISTS

Lima CARETAS in Spanish 2 Dec 85 pp 42-43

[Text] Latin American support for the Contadora Group is far from being naive. With outspoken realism it is giving priority to the principle of non intervention--an old Latin American principle developed to confront the hegemonic activities of the United States--and not to the need for the immediate democratization of the sub region. The Peruvian Government recognized this fact on 28 July 1985 when President Alan Garcia stated that what was at stake "in Central America and Nicaragua" was the sovereignty of the whole region. Certainly, the reference to Nicaragua and its specific and improvised mention at the same time confirmed his view that it was not the problem of democracy which should be emphasized.

The four countries of the Contadora Group had already appreciated this point. In the basic "Objectives Document" issued by the group "the full applicability of democratic institutions" was in eighth place in the list of principles toward which its actions are directed. This is only logical if you think that there is no reason to practice a double standard. That is, coming out in the defense of Central American democracy, when there are still "authoritarian" regimes in South America. Furthermore, the countries of Central America do not have the South American democratic tradition epitomized by Uruguay and Chile. Costa Rica began its well known succession of freely elected and changing governments at the end of the 1940's. However, by way of "compensation" Central America has a long tradition of intervention carried out by the United States.

It might therefore be said that the Contadora countries, Peru, and the other countries supporting the Contadora process recognize the special contradiction which exists in this area. That is, the destabilization of the Sandinist government in the name of democracy, as opposed to the militarization of the Sandinist regime in the name of security.

Therefore, democratization, beyond its intrinsic value, appears to be the tactical path used for intervention by the U. S. The militarization of Nicaragua, with the militant public security forces in the service of the

Sandinist Front, is opposed to intervention as the tactical path for consolidating a system which cannot be defined as democratic. The fundamental problem is that both phenomena are implicated in each other and interact. This is the logic of the East-West struggle in the countries on the periphery of the two super powers.

Collision at the Top

The policy of Peru follows the standard of self-determination of the peoples of the area. It does not accept the view that revolution or democracy can be exported. It takes the view that the destabilization of governments in the name of the East-West conflict will not bring democracy as a result. Certain South American experiments have proved this. What Peruvian policy seeks is to give priority in the region, on the other hand, to the logic of the conflict between North and South in the world. This logic is driven forward by the democratic regimes which now--an exceptional circumstance--predominate in South America.

Naturally, this guarantees some friction with the U. S. Peru, under its Aprista [APRA--American Popular Revolutionary Alliance] government, has come to raise from its sick bed an almost moribund Contadora Group with the formation of the Contadora Support Group. This has been done to provide visible proof that the Central American policy of the U. S. has no clear supporters anywhere. Since the conflict over the Malvinas Islands, the Central American conflict has emerged as the major political confrontation between the U. S. and Latin America. The difference is that the Malvinas conflict was neither sought nor desired by the North American government, which sadly but logically had to choose the side of its British ally in NATO.

From the point of view of bilateral relations between the U. S. and Peru, this has serious implications. Basically, this is because the Reagan Central American policy was adopted by President Reagan himself. That is, because this policy was defined at the presidential level and not at lower, bureaucratic levels. Therefore, a collision with this policy ensures a collision at the highest level. It implies a form of rebellion difficult to compensate for or to negotiate. It would be illusory to pretend that the North American president, almost obsessed over the continuing survival of the Sandinist regime, would be consoled by parallel expressions of support for the Salvadoran regime of President Jose Napoleon Duarte, for example, or Peru's taking some distance from the Cuba of Fidel Castro.

From this point of view Peru has assumed a substantial risk, in the service of Latin American principles and is assuming the cost of the most obvious errors of the Sandinist leadership. These errors include its lack of confidence in the practice of individual freedoms, its policy toward the Roman Catholic Church and guerrilla demands, or the mistake of President Daniel Ortega's displaying malice in his treatment of the presidents of other countries. This last error recently cost him a break in relations with Ecuador.

In short, what is at stake is the possibility of following an independent foreign policy. Jeanne Kirkpatrick, speaking with unusual frankness about the Central American conflict, has said that, "in terms of foreign affairs, geography means one's national destiny." Therefore, the U. S. continues to demand a thoughgoing alignment with its policies by the countries of Central America. For that reason the U. S. supported the four decades of the Somoza dynasty in Nicaragua and was not disturbed when the electoral victory of candidate Jose Napoleon Duarte in 1972 in El Salvador was ignored.

The implicit thesis is that the countries of Central America cannot be non aligned. And, by extension, the view that the countries of Latin America should not be non aligned. Underlying this view is the identification of a possible regional non aligned movement with the militancy displayed in the Non Aligned Movement as a whole. In the view of the U. S., this has a negative semantic and political meaning. Cuba, as seen from the White House, is the nightmare example of a Latin American non aligned movement, "naturally" allied to the Soviet Union.

By the same token there are already writers who, on the basis of the greater relative autonomy of South America and of the present, democratic spring it is going through, are thinking of a non aligned movement giving priority to regional interests, with its own conceptions of regional and global security. One way of beginning to distinguish an independent Latin American foreign policy is simply belonging to the Non Aligned Movement.

This is of obvious importance, given the fact that non alignment is a basic factor of the new foreign policy of Peru. This is even more the case if it is agreed that, in order to consolidate this policy, it is necessary to develop regional integration, which is another fundamental support for the international policies of the Alan Garcia government. In this way a special form of dynamics can be generated which starts by keeping the Central American conflict within a regional context, which is then linked with a non aligned stance, and which gives strength to Latin American integration. This would be an unexpected way of strengthening Latin American negotiating power and of emphasizing the North-South dimension of our problems. This does not necessarily mean an unfriendly attitude toward the U. S., supporting Soviet positions, or--even less--taking up neutral or equidistant positions between the two super powers. It would even be possible to give the U. S. "the benefit of the doubt": a militarily non aligned Latin America which is allied to the U. S. because of its belonging to western culture, as is the case with Austria or Switzerland. That is, a commitment freely entered into by sovereign countries, in place of the undependable friendship which goes with governments which act as dependents of the U. S. and beyond the framework of democracy.

Integration by Political Means

Behind the foregoing is a singular experience that Latin America has had. It is not the economic organizations of integration which have brought the

countries of the region together politically so much as the original idea (of relating economic to political integration). Inversely, it has been political rapprochements which have provided more room for economic cooperation. There is the case of Argentina, "rescued" for Latin America from its traditional identification with Europe, thanks to the political solidarity provided to it during the Malvinas War. There was the regional support provided to Panama, which led to the new Panama Canal treaties. There is the work of the Contadora Group and of its Support Group, looking toward a treaty--the Contadora Act--which would not only deal with peacekeeping but which would lay the foundations for integrated, subregional development.

Is it certain that all of this is necessarily linked to some disarmament initiative?

Perhaps not. However, the fact is that an integrated Latin America, non aligned and fully democratic, would be in the best possible position to turn itself into a zone of peace, able to devote all of its resources to its development.

In the same way it is easy to foresee the negative consequences which this would have in terms of a free projection of the Central American policy of Reagan. Let us say that its culmination might be a pseudo-military solution of the Central American conflict, which would imply at least three related phenomena: the total hegemony of a super power in the sub region, the immersion of Latin America in the totalitarian logic of the East-West conflict, and increased militarization--in Central America and reaching into South America--as the fatal consequences of this type of "solution."

For the reasons given above, it may be concluded that the Central American policy of Peru is not only Central American, nor should it only concern Peru. In essence, it is a fundamental part of a Latin American concept which, as such, deserves to be better treated in the Department of State. Beyond presidential feelings, which have only served to increase the real suffering of the Central American peoples and to place on guard all of the governments of South America.

5170

CSO: 3348/281

PERU

NEW EQUIPMENT EXPECTED TO INCREASE GOLD PRODUCTION

Lima EL COMERCIO in Spanish 26 Nov 85 p A-12

[Article by Samuel Frisancho]

[Text] The possibility that the mining of alluvial and moraine deposits with appreciable amounts of gold at the foot of the snowy Apolobamba Mountains will soon be revolutionized has raised great expectations among miners in the district of Ananea.

The technique involves the use of an easily-operated monitor that allows for the efficient treatment of the alluvial material to extract not only the nuggets of the gold metal left behind by the glaciers, but also the flakes or micrococci that cannot be recovered in the traditional panning method.

Crits Maheras, a Greek geologist who specializes in the operation of monitors, believes that the use of this equipment will make gold mining in the mineralized area of San Antonio de Poto an economically profitable activity. Not only will this prevent miners from leaving the region, but it will actually attract more with the possibility of considerable profits.

Historic Reference

Scholar Antonio Raimondi was justified in calling the Inambari River the "golden serpent." The source of that river's tributaries, primarily the Tambopata, is an alluvial area that contains a vast wealth of gold: the San Antonio de Poto deposits in the district of Ananea, province of Sandia (Puno), at the foot of the Apolobamba peaks.

If this region of 34,530 hectares near the Bolivian border is properly developed, it could yield 190,000 ounces of fine gold per year to Peru, which would mean a gross annual profit of \$77 million. Consequently, the standard of living would be raised for local residents and those of the department of Puno, which is one of the poorest regions in the country.

More than 4,000 Meters High

The San Antonio de Poto deposits are spread out over Huaccani, Ancocala, Arequipampa and Pampa Blanca, more than 4,000 meters above sea level.

Access to this area is gained only on an asphalt road that connects it to Juliaca, 155 kilometers away. Since time immemorial, gold was mined by rudimentary methods there, using wooden trays. Later, monitors and sluice boxes were used until 1962. At that time, the Natomas Company Peru began mining in the Pampa Blanca area with a dredge. The dredge sank in 1972, however, and had to be abandoned. In 10 years of work, that company excavated 17 million cubic yards and obtained a total of 3,825 kilograms of impure gold.

San Antonio de Poto

Extraordinarily high volumes of gold can potentially be mined in San Antonio de Poto, not only because of the deposit's size (45 kilometers long) but also because of its depth, which could be as deep as 50 to 60 feet to the bedrock. It is assumed that there are about 15 billion cubic materials of gold-bearing material.

The reserve lies in the foothills of the Cordillera Oriental, whose glaciers have formed lakes of different sizes and levels. The lakes would be the source of water for exploiting this gold wealth.

According to the documentation left behind by the Natomas Company, the entire area is estimated to contain proven reserves of 38 million cubic meters of gold, with a gold content of 0.321 grams per cubic meter.

The documents state that the gold is in the pure native state, with a great variety of grain sizes, ranging from fine dust, which often floats, to nuggets weighing more than a gram.

Great Reserve Found

The Peruvian State Mining Enterprise (MINEROPERU) is now working the Vizcachani area, where proven reserves of nearly 7 million cubic meters have been discovered, with a concentration of 0.246 grams of gold per cubic meter. A beneficiator has been installed as part of this operation.

Experts at MINEROPERU estimate that with the operation of eight beneficiators and the use of water recirculation, an average of 270 kilos of fine gold can be produced each year at each plant.

To meet the demand for electricity, diesel generators were purchased; but it is felt that when new dredges begin operating, the demand for energy will total 10,000 kilowatts. For that purpose, a hydroelectric plant will have to be built in the area of Cuyo Cuyo.

8926

CSO: 3348/274

- END -